



# ***Daily Report***

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## **LAST ISSUE**

# **East Asia**

FBIS-EAS-96-168  
Wednesday  
28 August 1996

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# Daily Report

## East Asia

FBIS-EAS-96-168

### CONTENTS

28 August 1996

NOTICE: An \* indicates material not disseminated in electronic form.

#### INTERNATIONAL AFFAIRS

CTBT Debate Said 'Just Beginning in New York' [THE PIONEER 27 Aug] ..... 1

#### INTER-ASIAN AFFAIRS

ASEAN Ministers Join To Attack EU's GSP Cut [THE NATION 28 Aug] ..... 3

#### NORTHEAST ASIA

##### Japan

Japan: Supreme Court Orders Ota To Renew U.S. Base Leases [AFP] ..... 4

Japan: Further on Supreme Court Orders Ota To Renew Base Leases [KYODO] ..... 4

Japan: Analysts Say Ruling May Not Speed Leasing of U.S. Bases [KYODO] ..... 5

Japan: SACO Negotiators Seek U.S. Explanation on Kadena Proposal [RYUKYU SHIMPO 26 Aug] ..... 5

Japan: DA Chief Fails to Persuade Localities to Accept Drills [ASAHI SHIMBUN 27 Aug] .... 6

Japan: Article Discusses Economic Impact of Base Closings [FORESIGHT Jul] ..... 7

Japan: Article Views Poor Performance of U.S. Trade Representative [EKONOMISUTO 3 Sep] 11

Japan: Editorial Urges Early Liberalization of Insurance Sector [MAINICHI SHIMBUN 25 Aug] 11

Tokyo, Pyongyang Trying To Resume Talks on Diplomatic Ties [KYODO] ..... 12

Japan: Hashimoto Holds Talks With Peruvian President Fujimori [KYODO] ..... 13

Japan: Tokyo Resumes Fishery Talks With China in Beijing [KYODO] ..... 13

Japan: New Foreign Ministry Position for Territorial Disputes [YOMIURI SHIMBUN 26 Aug] 13

Japan: BOJ Economists Report Shows Lower Business Confidence [KYODO] ..... 14

Japan: BOJ 'Has No Intention of Changing' Economic Assessment [KYODO] ..... 15

Japan: Officials Say BOJ Economic Views Consistent With EPA [KYODO] ..... 16

Japan: Takemura, Hatoyama Meet, Fail To Agree on New Party [KYODO] ..... 16

Japan: Takemura, Hatoyama To Meet Again on New Party Plans [KYODO] ..... 17

Japan: Hatoyama Quits Sakigake To Form New Party [KYODO] ..... 17

Japan: Hatoyama Statement on Departure From New Party Sakigake [Tokyo TV] ..... 18

Japan: Official Says Sakigake President To Resign [KYODO] ..... 18

Japan: Sakigake Said To Split Up Over Hatoyama's Departure [KYODO] ..... 19

Japan: List of NPP's 'Tomorrow's Cabinet' Members [(Internet) Japanese New Frontier Party WWW] ..... 20

Japan: Ichiro Ozawa: Old Soldiers Like Me Should Disappear [SHUKAN BUNSHUN 4 Jul] .. 20

Japan: International Finance Bureau Head Sakakibara Interviewed [GENDAI Aug] ..... 25

Japan: Ministries To Launch Optical Fiber Cable Experiment [NIHON KEIZAI SHIMBUN 26 Aug] ..... 29

##### Mongolia

Mongolia: Government To Reorganize Embassies, Change Passport Regime [Ulaanbaatar Radio] ..... 30

##### North Korea

DPRK: KCNA Cites ROK Radio on U.S. Flagship's Visit to Pusan Port [KCNA] ..... 30



DPRK: Students Meet To Denounce ROK's 'Suppression' of Students [KCNA]	30
DPRK: Cuban Embassy Officials Help Peasants in Maize Harvesting [KCNA]	31
DPRK: Public Health Minister Greet Guinean Government Delegation [KCNA]	31
DPRK: Guinean Guests Lay Basket Before Statue of Kim Il-song [KCNA]	31
DPRK: Delegation Leaves for Information Conference in Nigeria [KCNA]	31
DPRK: Senior Party Officials Attend PLA Troupe Performance [KCNA]	31
DPRK: Foreign Delegations Arrive for Youth Day Celebrations [KCNA]	32
DPRK: KCNA Cites Youth's Contributions to Country [KCNA]	32
DPRK: Kim Chung-nin Attends Youth Day Presentation Ceremony [KCNA]	32
DPRK: Central Committee Officials Attend National Youths Meeting [KCNA]	32
DPRK: Central Committee Official Attends Party on Youth Day Anniversary [KCNA]	33
DPRK: Young Soldiers Hold Concerts To Mark Youth Day Anniversary [KCNA]	33
DPRK: Youth, Students Pay Respects to Kim Il-song for Youth Day [KCNA]	33
DPRK: Central Committee Official Meets Foreign Youth Delegates 27 Aug [KCNA]	34
DPRK: Meeting Marks Anniversary of Kim Chong-il Letter to Youth [KCNA]	34
DPRK: KCNA Reviews 27 Aug Pyongyang Press [KCNA]	34
DPRK: Scholars Develop Way To Use Alternative Fuel in Transport. [Pyongyang Radio]	35
DPRK: Yi Chong-ok, Choe Kwang Meet Visiting PRC Army Performers [KCNA]	36
DPRK: Electricity Production by New Combustion Method Introduced [Pyongyang TV]	36

## South Korea

ROK: ROK Cites U.S. Aim of Opening DPRK Office Prior to Election [The Digital Chosun Ilbo WWW]	36
ROK: U.S. Diplomatic Pouch Refusal Blocks DPRK Liaison Office [YONHAP]	36
ROK: U.S. Said To Aim at Opening Liaison Office [The Digital Chosun Ilbo WWW]	37
ROK: North Korea-Made Christmas Cards To Be Imported [The Digital Chosun Ilbo WWW]	37
ROK: Tanker Filled With 20,000 Tons of Oil Departs for DPRK [THE KOREA HERALD 24 Aug]	37
ROK: NKP Lays Tentative Plans for Camp for North Korean Escapees [YONHAP]	38
ROK: Government To Ship Powdered Milk to DPRK 30 Aug [YONHAP]	38
ROK: DPRK, Japan To Hold Meeting on Diplomatic Ties in Beijing [YONHAP]	38
ROK: Government To Propose Inter-Korean Air Control Agreement [YONHAP]	38
ROK: ROK To Attend Conference on Opening Air Routes Over DPRK [YONHAP]	39
ROK: Black Market Thriving in DPRK Due to Economic Hardships [TONG-A ILBO 24 Aug]	39
ROK: Institute on Increasing DPRK Herb, Animal Medicine Imports [YONHAP]	39
ROK: DPRK 'Likely' To Postpone 'First' International Exhibit [YONHAP]	40
ROK: Samsung Jointly Develops Large Coal Mine in Australia [YONHAP]	40
ROK: Brazil To Allow ROK Firms To Sell 16,500 Autos Annually [YONHAP]	40
ROK: KITA Announces Exports to Brazil Decline by 36.7 Percent in 1996 [YONHAP]	40
ROK: Koreans Living in Guatemala Donate Money for Flood Victims [YONHAP]	41
ROK: Gabonese President Bongo To Visit Seoul 30 Aug [YONHAP]	41
ROK: Foreign Ministry Confirms 7 South Koreans Killed in Mutiny [YONHAP]	41
ROK: Government To Contact Honduras About Mutiny Investigation [YONHAP]	41
ROK: Maritime Police Send Salvage Ship To Tow Tuna Boat to Port [YONHAP]	42
ROK: Ministry Denies Report on Indonesians Detaining ROK Crewmen [YONHAP]	42
ROK: Marine Police To Arrest Korean-Chinese Crew of Tuna Boat [The Digital Chosun Ilbo WWW]	42
ROK: Seoul Considering Importing 600 Tons of Japanese Oranges [YONHAP]	42
ROK: Japanese Naval Vessels To Visit Pusan 2-6 Sep [YONHAP]	43
ROK: Entourage for President Kim's Latin America Trip Finalized [YONHAP]	43
ROK: Deputy Foreign Minister To Receive New Zealand Counterpart [YONHAP]	43
ROK: ROK, PRC Exchange Detained Fishermen 27 Aug [YONHAP]	44

ROK: DPRK Trade With PRC Decreased 9.1 Percent in Early 1996 [The Joong-Ang Ilbo WWV]	44
ROK: Minister To Fly to Tripoli for Waterway Opening Ceremony [YONHAP]	44
ROK: Ministry Says 1996 Trade Deficit May Exceed 20 Billion Dollars [The Joong-Ang Ilbo WWV]	44
ROK: Chunsu To Begin International Internet Phone Service 1 Sep [The Digital Chosun Ilbo WWV]	45
ROK: Kim Yong-sam on NKP Candidacy, 4-Way Talks, Hanchongnyon [YONHAP]	45
ROK: Kim Yong-sam To Urge NKP To Solve Economic, Social Problems [YONHAP]	45
ROK: NKP Head 'Secretly' Questioned Over Political Funds [YONHAP]	46
ROK: Independent Representative Formally Joins New Korea Party [THE KOREA TIMES 28 Aug]	46
ROK: Defendants Involved in Chon-No Trials Appeal Convictions [YONHAP]	46
ROK: Prosecution Questions NKP Head Kang Sam-chaе on Funds [YONHAP]	47
ROK: Police Mount 'Surprise' Raid on 23 Universities 28 Aug [YONHAP]	47
ROK: Finance Minister Speaks on Economic Policies at Assembly [YONHAP]	47
ROK: National Tax Office To Investigate Bribes by Conglomerates [The Digital Chosun Ilbo WWV]	48
ROK: Recall Period of Imported Products Extended to 3 Months [THE KOREA TIMES 27 Aug]	48
ROK: Finance Ministry Warns About 'Needlessly' Wasting Rice [The Digital Chosun Ilbo WWV]	48
ROK: Cabinet To Pass Law on Exclusive Economic Zone 27 Aug [YONHAP]	48
ROK: Bank of Korea Governor Speaks on Macroeconomic Policy [THE KOREA HERALD 26 Aug]	49
ROK: Banks See Almost Three Trillion Won in Outstanding Debt [THE KOREA ECONOMIC WEEKLY 24 Aug]	49
ROK: Banks See Rapid Rise in Non-Performing Loans [THE KOREA ECONOMIC WEEKLY 26 Aug]	49
ROK: Domestic Economy Experiencing Slump Faster Than Expected [The Digital Chosun Ilbo WWV]	50
ROK: Former Chief of KCIA Exonerated for Anti-Government Crimes [The Digital Chosun Ilbo WWV]	50
ROK: Groups Fear Sentences' Effect on Businessmen's Morale [YONHAP]	50
ROK: Maritime Police Take Tuna Boat Mutiny Suspects Into Custody [YONHAP]	51
ROK: Law on Exclusive Economic Zone To Take Effect 10 Sep [The Joong-Ang Ilbo WWV]	51
ROK: Prosecution To Begin Investigating Election Law Violators [YONHAP]	51
ROK: Hanjin Group Selected To Build Airport Refueling Facilities [THE KOREA HERALD 28 Aug]	51
ROK: Hospital Releases Cholera Victim Following Full Recovery [YONHAP]	52

## SOUTHEAST ASIA

### Burma

Burma: NLD Member of Parliament U Chit Khaing Resigns [Rangoon Radio]	53
Burma: Khin Nyunt Tells Information Committee To Spread True News [Rangoon TV]	53
Burma: Rangoon Reports Sentencing of Insurgents [Rangoon TV]	53
Burma: Editorial Hails Defense Services' Anti-Drug Activities [THE NEW LIGHT OF MYANMAR 25 Aug]	54

### Brunei, Malaysia & Singapore

#### Malaysia

Malaysia: Mahathir Returns From Four-Day Visit to China [Kuala Lumpur TV]	55
Malaysia: Mahathir Comments on Ties With China, West [THE STAR 28 Aug]	55

Malaysia: Mahathir Comments on Ties With China, Spratlys Claims, APEC (NEW STRAITS TIMES 27 Aug)	55
--	----

## Cambodia

Cambodia: Co-Prime Ministers Jointly Chair Cabinet Meeting 28 Aug (Phnom Penh Radio)	56
Cambodia: Ranariddh: KR Defections Mark End of Intra-Cambodian War (Phnom Penh Radio)	56
Cambodia: Prince Ranariddh Criticized for Changing Attitude on Ieng Sary (CHAKKRAVAL 22 Aug)	56
Cambodia: Khmer Rouge Minister on Reaction to Expanded Cabinet (Radio PGNUNS)	57

## Indonesia

Indonesia: Molotov Cocktail Thrown at U.S. Consulate in Surabaya (MEDIA INDONESIA 28 Aug)	57
Indonesia: Jakarta, Tashkent Sign Accords To Boost Trade (Jakarta Radio)	58
Indonesia: ABRI Willing To Deal If Megawati Withdraws Civil Suit (REPUBLIKA 27 Aug)	58

## Philippines

Philippines: ASEAN Urged To Unite on EU, U.S. Trade Barrier Issues (BUSINESS WORLD 28 Aug)	59
Philippines: Development Projects Worth 5.7 Billion Pesos Approved (PNA)	59
Philippines: De Villa Assures Business Sector of Improving Security (BUSINESS WORLD 27 Aug)	59
Philippines: Panel To Include Senate Recommendations in MNLF Talks (Quezon City Radio-TV)	60
Philippines: Fourth, Final Round of Talks With MNLF Starts (Quezon City Radio)	60

## Thailand

Thailand: 'Goods in Transit Deal' Sought With Singapore (BANGKOK POST 28 Aug)	60
Thailand: Future of Thai Exports Examined (THE NATION 26 Aug)	61
Thailand: Cabinet Approves Bill Ending Telecommunications Monopoly (Bangkok Radio)	62
Thai Editorial Says Constitutional Reform 'Back to Square One' (THE NATION 26 Aug)	62
Thailand: Chawalit Hits at Military Reshuffle 'Surprise' (THE NATION 24 Aug)	64
Thailand: Banhan To Face Two-Day Censure Debate 18-19 Sep (BANGKOK POST 27 Aug)	65
Thailand: Banhan Seeks Chat Thai Support in Censure Debate (BANGKOK POST 28 Aug)	65
Thailand: Karen Refugees Flee Camp Following Border Attack (BANGKOK POST 27 Aug)	65
Thailand: Border Police Give Karen Refugees Assurances (THE NATION 27 Aug)	66
Thailand: Security at Karen Refugee Camp Tightened (BANGKOK POST 28 Aug)	66
Thailand: Officials Instructed To Halt Influx of Illegal Aliens (BANGKOK POST 28 Aug)	66

## Vietnam

SRV: MIA Remains Turned Over to U.S. Official (VNA)	67
SRV: Leaders Receive Chinese Army Chief of General Staff (VNA)	67
SRV: Swiss Foreign Economic Delegation Pays Visit (Hanoi Radio)	67
SRV: Paper Reviews Economic Performance (VIETNAM INVESTMENT REVIEW 29 Jul-4 Aug)	67
SRV: Doan Khue Speaks at Military Exercises (QUAN DOI NHAN DAN 19 Aug)	69



**CTBT Debate Said 'Just Beginning in New York'**

BA2708151596 Delhi THE PIONEER in English  
27 Aug 96 p 8

[By A.N.D. Haksar]

[FBIS Transcribed Text] The CTBT [Comprehensive Test Ban Treaty] debate is over in Geneva, but just beginning in New York. It could be among the earliest questions to come up before delegates in next month's UN General Assembly [UNGA] Session. The conclave will also face other important issues which have recently been overshadowed by the Geneva debate, some of them no less significant for India.

"Implementation of the Comprehensive (nuclear) Test Ban Treaty" is already inscribed as item 66 on the General Assembly's 159 point provisional agenda. After India blocked the process at Geneva, the U.S. and its allies led by Australia are trying to bring it up directly in New York to enable early signing of the Treaty, which is a major issue in President Bill Clinton's re-election campaign. Pro-CTBT efforts do not need to wait for the traditional convening of the General Assembly's 51st session on the third Tuesday of September. Last year's adjourned 50th Session can be recalled, if needed, by its Portuguese President provided sufficient votes for this are forthcoming from the 185 UN member states.

There being no veto in the General Assembly, a sufficiency of votes could also serve to push the flawed CTBT through the rules on debate, amendment and other procedural points. But garnering a majority on such occasions also involves questions of precedents and reciprocity affecting national or group interests of individual member states, each of whom has an equal vote.

The task could prove tough going. Though the large scale support CTBT received at the 61 member Geneva conference would no doubt help its progress in the General assembly, the UN Charter stipulates that a two-third majority is needed in the latter forum for decisions "with respect to the maintenance of international peace and security".

The veto is, on the other hand, crucial to another issue before the next session: the election of the UN Secretary General, who is appointed by the General Assembly on the recommendation of the Security Council. The USA has declared that it will oppose the re-election of present incumbent Butros-Ghali, whose term ends this year. France and Russia have indicated that they will support the Egyptian diplomat as have African and some other Third World countries.

Security Council voting on the Secretary General's nomination is traditionally kept secret. It is unusual for

veto wielding permanent members to announce their intentions in public. Front running candidates have fallen to vetoes in the past also: Finland's Jakobson when U Thant was re-elected, Argentina's Ortiz de Rojas when Waldheim won, and Tanzania's Salim at the time of last Secretary General Perez de Cuellar's election. Who blocked them was never acknowledged publicly. If Butros-Ghali, whose main deputies for political and economic affairs are both from India, is vetoed there could be a deadlock among permanent members eager to win friends in the Third World unless they agree on an alternative. There is also speculation that the issue may come up only after the U.S. presidential poll, and the U.S. position may change by then.

An issue of direct concern to India at the coming session is membership of the Security Council. This is actually two separate and unrelated agenda items: permanent membership and election to a non-permanent seat. India has made its interest known in both.

The question of additional permanent members, probably without veto rights, is part of a larger project for restructuring and expanding the Security Council to make it more reflective of present day global realities. At its golden jubilee session last year the General Assembly at last established a working group to consider this subject and report back this autumn. The group has been unable so far to agree on the extent of expansion or the criteria for new permanent members. Its mandate is likely to be extended for another year, but its interim report could be of particular interest to countries like Germany, Japan and Brazil, apart from India, whose interest in permanent membership is known.

The more immediate issue is elections to five non-permanent seats in the Security Council. One of these is traditionally to be filled by an Asian country. The election requires a two-third majority vote in the General Assembly, but conventionally regional countries nominate an agreed candidate from their group who is then confirmed by acclamation.

The African group has reportedly selected Kenya to replace Botswana, and the European group is understood to be seeking consensus among Sweden, Portugal and Australia to take the place of retiring non-permanent members — Germany and Italy. The Asian group, however, has two candidates, India and Japan, both now looking for support from the wider UN members directly.

The UN Charter Specifies that elections to the Security Council should take into account equitable geographical distribution and a member state's contribution to the maintenance of international peace and security.



The first consideration may count in India's favour as the other sitting Asian member of the Council, South Korea, is from the same sub-region as Japan.

The second maybe invoked by interested parties against India, citing its opposition to the CTBT. A counter to this is provided by India's impressive record in UN peacekeeping operations over four decades which is matched by few countries, including Japan. The latter however has enormous economic resources. Diplomatic efforts to promote both candidatures could intensify in coming weeks unless there is some seat sharing or other compromise for which precedents are few and distant.

India would also be preparing diplomatically for any possible recurrence of Pakistan's efforts to move resolutions against it on the Kashmir issue. In the last three years Pakistan made four such attempts, but failed on each occasion due to insufficient international support and effective Indian representations to other member states.

The Islamic Conference (OIC, Organization of the Islamic Conference) Contact Group meeting in Islamabad on August 13, which was addressed by the Prime Ministers of Pakistan and Turkey and attended, among others, by a delegation from the Hurriyat Conference, significantly called on the OIC Foreign Ministers assembling in New York to review the Kashmir situation and adopt "further appropriate measures." The occasion obviously is the Assembly elections in J&K (Jammu and Kashmir). Their last two rounds will occur during the first two weeks of the General Assembly session, and any further developments at the UN on this front may be expected around the beginning of October. Happily for any on the spot guidance needed for India's diplomatic counter-measures, this period is also likely to coincide with the presence in New York of External Affairs Minister I. K. Gujral, who is scheduled to address the UNGA on October 4.

**ASEAN Ministers Join To Attack EU's GSP Cut**  
BK2808041796 Bangkok THE NATION in English  
28 Aug 96 p B1

[Unattributed Report]

[FBIS Transcribed Text] ASEAN Agriculture Ministers have taken a unified stand for the first time in urging the European Union to reconsider its new generalised system of preferences (GSP) for farm products, suggesting that the revised system will seriously hurt ASEAN farmers. The new system is due to become effective on Jan 1, 1997.

In an Aug 26 letter to European Commission President Jacques Santer, ASEAN countries expressed doubt if the EU's approach on graduation and shifting of preferences will harm ASEAN farm sectors while non-ASEAN developing countries will continue to enjoy GSP privileges.

"These countries include those whose economic performance is as high as or higher than ASEAN's," says the letter undersigned by S H Escudero III, Philippine agriculture secretary, on behalf of ASEAN Ministers of Agriculture and Forestry.

According to the EU, from Jan 1, 1997, ASEAN countries will "graduate" from five farm sectors including fishery products, animal or vegetable fats and oil, vegetables and fruits, cereals, and prepared foodstuffs that include mainly frozen shrimp, canned tuna, palm oil, coconut oil and canned pineapple. Thirdly, ASEAN urged the EU to consider granting GSP privileges on the grounds that ASEAN members have tried to combat drug production and trafficking.

ASEAN also suggested that the EU consider "removing or at least minimising the number of ASEAN products in the sensitive list and semi-sensitive list."

Agriculture Minister Suwit Khunkitti said it is the first time that ASEAN took a unified stand on the issue.

He added that at an economic seminar held by the foreign ministry yesterday, the ASEAN ministers shared the view that the EU's decision to discriminate by dropping some countries from the list was unfair.

Developed countries such as the United States and European Union have increasingly used non-tariff barriers to protect domestic industries against some exports. He expressed deep concern that even though the Uruguay Round of trade agreement has in effect urged member countries to lower their tariffs, some countries used the new measures such as environmental issues and the use of anti-dumping duties to protect their domestic industries.

European Union has already announced plans to drop three key Thai farm exports from its GSP list from next year. They are fisheries, fruit and vegetables and processed food. Thailand viewed the EU decision as unfair because it dropped Thailand from the list but maintained some countries whose economic status is similar to Thailand, such as Columbia and Ecuador.

Suwit said that the ASEAN ministers also discussed the U.S. decision to ban Thai shrimp exports as a result of a petition raised by a non-governmental organisation. He said that the U.S. explanation, asking Thai exporters to prove that they used turtle excluding devices in their fishing nets, is unrealistic. He said that Thai territorial waters do not have the endangered turtle species. Therefore, the U.S. allegation is not sound.

## Japan

### Japan: Supreme Court Orders Ota To Renew U.S. Base Leases

OW2808062696 Hong Kong AFP in English  
0616 GMT 28 Aug 96

[FBIS Transcribed Text] Tokyo, Aug 28 (AFP) — The Supreme Court ordered the governor of Okinawa Wednesday to sign documents forcibly renewing leases for land occupied by US military facilities on the southern Japanese island, a court official said.

The ruling, broadcast live on national television, was conveyed by presiding judge Toru Miyoshi at the head of a 15-member panel of judges.

The order, which upheld an earlier ruling by the Fukuoka High Court, came less than two weeks before Okinawan residents vote on the future of US bases on the sub-tropical island in Japan's first ever prefectural referendum.

Okinawa Governor Masahide Ota refused to comply with the March order and appealed against the ruling, putting him on a collision course with the central government and its ability to manage the Japan-US security treaty.

A local government official said the governor would comment on the ruling at a news conference in Naha scheduled set for 5:00 p.m. (0800 GMT).

On Monday [26 August], Ota said he believed the ruling would "show how far Japan's democracy has developed" but refused to foreshadow his response, which is being closely watched here as an indicator of when the next election will be held.

While an election is not due until mid-1997, the Okinawan issue has already strained the two main parties in the ruling coalition, the conservative Liberal Democratic Party (LDP) and the left-wing Social Democratic Party (SDP), which only recently ditched its long-standing opposition to the security treaty.

If Ota continues to refuse, the government will have to decide on a response.

Following local outrage over the rape of a 12-year-old girl by three American servicemen in September last year, many Okinawan landowners who have long opposed the US military presence have been refusing to renew their leases.

The latest ruling by the Supreme Court affects leases for 3.6 hectares (nine acres) of land located in seven facilities including Kadena Air Base, the biggest US air base in East Asia, and a marine base known as Camp Shields.

Also affected are three communications sites, an airforce ammunition store and naval port facilities.

Under the ruling, Ota is supposed to forcibly the renew leases of 35 landlords. One lease involving a naval communications site expired at the end of March, triggering huge protests and making a local hero out of the owner, Okinawan storekeeper Shoichi Chibana. The other leases expire in May next year.

### Japan: Further on Supreme Court Orders Ota To Renew Base Leases

OW2808074196 Tokyo KYODO in English  
0729 GMT 28 Aug 96

[FBIS Transcribed Text] Tokyo, Aug. 28 KYODO — The Supreme Court on Wednesday rejected an appeal by Okinawa Gov. Masahide Ota against a lower court ruling ordering him to sign documents necessary for the continued forced leasing of land to the U.S. military.

The decision by the top court's 15-member grand bench requires Ota to sign the documents needed to force 35 landowners to renew their leases on a total of 35,000 square meters of land for eight of the 40 U.S. military facilities in the southwestern island prefecture of Okinawa.

In upholding a ruling by the Naha Branch of the Fukuoka High Court last March, Presiding Judge Toru Miyoshi said Ota's refusal to sign the documents significantly infringes on public interests.

It is the first ruling by the top court making the expropriation of land for use by the U.S. military constitutional.

The court battle back dates to December, when the central government filed a suit against Ota, seeking a court order for him to sign the documents.

Ota has refused to do so on the grounds that the forced leasing violates the owners' property rights and the constitution.

His refusal came amid a surge in anger among local residents over the huge U.S. military presence in Okinawa following the rape of a local schoolgirl by three U.S. servicemen last September for which they have been convicted.

Okinawa, about 1,600 kilometers southwest of Tokyo, is home to about 75 percent of the land in Japan reserved for use by the U.S. military, although the island accounts for less than 1 percent of Japan's total land.

The 35 landowners in question are among some 3,000 landowners who are refusing to renew their leases for the U.S. military.



Ota also faces two separate suits brought by the central government over legal procedures for the forced leasing of land owned by local residents to the U.S. military.

Of the suits, one is designed to seek a court order for Ota to take legal procedures required to renew leases of land owned by these local residents for the Kadena Air Base and 10 other U.S. military facilities. The leases expire next May.

Under the other suit, the central government seeks a court order urging Ota to comply with a request that he make public the papers detailing a government request for the expropriation of a plot of land within a U.S. Navy communications facility.

The lease on the 236-square-meter plot owned by local grocer Shoichi Chibana expired at the end of March, but the government has continued to use the plot for the U.S. Navy facility without clear legal basis.

The Okinawa prefectural government is slated to call a local referendum Sept. 8 over whether to support a cut in the U.S. military presence on the island.

Under an agreement reached last April, the United States will vacate some 20 percent of the land its military now occupies in Okinawa.

#### **Japan: Analysts Say Ruling May Not Speed Leasing of U.S. Bases**

OW2808092596 Tokyo KYODO in English  
0902 GMT 28 Aug 96

[FBIS Transcribed Text] Naha, Japan, Aug. 28 KYODO — The supreme court ruling Wednesday effectively ordering Okinawa Gov. Masahide Ota to sign documents for forced leasing of land for U.S. bases may not result in speedy authorization of such leases, analysts said.

Japan's top court, as widely expected, sided with the central government and rejected an appeal by Ota against a lower court ruling ordering him to sign documents necessary for the continued compulsory leasing of land to the U.S. military.

Attention is now focused on whether Ota will act as proxy on behalf of village chiefs who have refused to make public documents detailing a government request for use of the land, a step which is a prerequisite to the expropriation of the land, they said.

The central government filed suit Aug. 16, seeking to force the Okinawa governor to authorize rental of land in 11 U.S. military facilities in Okinawa, including the Kadena Air Base, but Ota refused to sign documents authorizing the compulsory leasing of the land owned by some 3,000 people.

Even if Ota changes his stance and signs the documents now, the analysts said all the necessary procedures for the forced land use may not finish by May 14 of next year, when lease agreements of the land occupied by the U.S. facilities expire.

Lease contract documents will need to be disclosed for public view after Ota's signing of the documents. It usually takes two to three months for the Okinawa expropriation committee, a local panel charged with property expropriation, to hold public hearings after the public viewing of the documents.

So if everything goes smoothly in line with the central government's expectations, public hearings on the compulsory leasing of the land would begin around the end of this year, the analysts said.

The public hearings could take a long time, in view of the fact that landowners strongly criticized the committee's stance to wind up the last such hearings in just five and a half months in 1992, they said.

The central government is also seeking through another ruling to resolve the current impasse under which it continues to allow U.S. forces to use the communications facility in the village of Yomitan, despite the expiry of a lease on the land at the end of March.

#### **Japan: SACO Negotiators Seek U.S. Explanation on Kadena Proposal**

OW2708150796 Naha RYUKYU SHIMPO  
in Japanese 26 Aug 96 Morning Edition p 2

[FBIS Translated Text] Tokyo — The SACO (the Japan-U.S. Special Action Committee on Okinawa) working panel is now studying the issue of relocating Marine Corps Air Station [MCAS] Futenma. In studying a proposal on a shift to Kadena Air Base [KAB], cited as one of the possible relocation sites, the Japanese have even gone into a discussion questioning the United States on the necessity of maintaining the U.S. Forces Japan's [USFJ] existing combat capability. While noting "no need to stick to the KAB proposal," Japan has sought a "clear explanation" for the U.S. "refusal." This indicates Japan also intends to demand that the United States conduct a study on reducing as many as possible of the U.S. Air Force units stationed at KAB. A senior Defense Agency [DA] official has stressed that the ongoing negotiations will be "one step toward establishing new Japan-U.S. relations" for the post Cold War era.

At present, the proposal on "consolidating MCAS Futenma with KAB" is the main plan being studied to settle the issue.



The U.S. has strongly indicated its intention not to accept the proposal for the following reasons: 1) It is dangerous for several kinds of airplanes that have different velocities, such as fighters and helicopters, to share the same air field; and 2) It is impossible to win the understanding of the local people because of expected worsening environment, including noise pollution.

However, in response to this, the Japanese have called on the United States to submit the necessary documents to answer such questions as: "Why is it dangerous for fixed-wing and rotary-wing aircraft to share the same air field?"; "how often will the aircraft land and take off?"; and "which route will be used in aircraft approaches?"

Moreover, pointing out the history of base requisitions by the U.S. Forces with "guns and bulldozers" in the past, Japan has handed in documents on how the concerned municipalities perceive the existence of bases around them. It is reported that Japan is taking an approach that it has never taken before by suggesting a concept of security in the post Cold War era, and making the United States reconsider its role.

The senior DA official explained that "the shift of MCAS Futenma should not take the simple formula of 1 plus 1 equals 2. Taking the reasons cited by the United States into consideration, it is still possible to downsize the relocation site considerably even after the consolidation with MCAS Futenma."

Concerning the recent talks on the issue with the United States, the official said: "The shift to KAB is merely one choice. If it is impossible [to relocate to KAB], we could launch a study on other possible sites. However, we cannot consent to the U.S. position if it merely keeps stressing that it is 'impossible' or 'dangerous.' In light of this issue, the United States may need to reconsider the existence of bases on Okinawa." Some Japanese negotiators, including Foreign Affairs Ministry officials, believe that the way Japan carries on the negotiations may "leave the United States a heavy residue of hard feelings against Japan." However, some government officials believe that it will consequently lead to reconsideration of such matters as the existence of U.S. military bases on Okinawa and the size of the USFJ.

#### **Japan: DA Chief Fails to Persuade Localities to Accept Drills**

OW2808060496 Tol o / SAH SHIMBUN  
in Japanese 27 Aug 96 Morning Edition p 2

[FBIS Translated Text] Defense Agency [DA] Director General Hideo Usui on 26 August finished his tour to try to influence local communities where training grounds are proposed as possible relocation sites for live-fire

drills across Okinawan Prefectural Highway 104 being held by the U.S. Forces at Camp Hansen.

However, all the local governments, to various degrees, indicated a negative attitude to the relocation of the drills within Japan. The DA's efforts to persuade these communities by such measures as expanding noise prevention projects are expected to gather momentum from now on, but prospects for the government's target of implementing the plan "in the next fiscal year" remain uncertain.

The proposed relocation sites agreed upon through negotiations between Japan and the United States are: Yausubetsu (Hokkaido), Ojojibara (Miyagi Prefecture), Kitafuji (Yamanashi Prefecture), Higashifuji (Shizuoka Prefecture) and Hijudai (Oita Prefecture).

The two governments have already agreed on the terms for exercises after the drills are moved to the Japanese mainland, namely: 1) one of the five sites will be used each time, and exercises will be held a maximum of four times, totalling not more than 35 days in a year, at one site; 2) each round of exercises will last not more than 10 days; 3) exercises will involve a maximum of around 300 personnel, 12 155-mm howitzers, and 60 military vehicles. They are scheduled to reach a formal agreement at the 29 August meeting of the Japan-U.S. Joint Committee.

Usui visited five governors and 15 heads of local governments in a week. He worked very hard to seek their cooperation, emphasizing the need to "reduce the burden on the Okinawan people." However, all the local officials objected, saying they are already hosting shelling exercises by the Ground Self-Defense Force [GSDF] and the U.S. Forces Japan [USFJ], and are, thus, "shouldering an appropriate burden." Many local communities even asked for a "reduction of burden," like Okinawa.

This demonstrated the limitations of the government's solution of not dealing with a reduction of USFJ drills, and attempting to distribute these exercises to various sites on the Japanese mainland.

At a news conference in Oita on 23 August, Usui touched on the reduction of GSDF shelling exercises at these five sites. It seems that this process will inevitably affect the SDF.

The government will persist in obtaining the cooperation of all five sites. Although Usui said at his Oita news conference that "drills can start anytime at training ranges where they can be conducted," even if some of the local communities are persuaded to cooperate, there is still the concern that the remaining burden that cannot be brought to other training sites will fall on them. Thus,

even these local governments will tend to hesitate. For this reason, during his visit to Hokkaido on 26 August, Usui modified his statement and stressed that "we do not intend to change our plans to hold drills at all five sites."

Meanwhile, at a news conference on 23 August, Director General Masuo Morodomi of the Defense Facilities Administration Agency said: "If all of the necessary drills cannot be scheduled elsewhere, there is the possibility that some of them will have to be conducted at Camp Hansen." He hinted that exercises across Prefectural Highway 104 may continue even in the next fiscal year.

However, Okinawa is not likely to accept this, and even if this is possible, it will then be even more difficult to persuade the local governments on the mainland. This will also mean that the government will be negating its own agreement with the United States on "spreading out the drills on the mainland." Morodomi's remark was an indication of the difficult position the government is in.

#### **Japan: Article Discusses Economic Impact of Base Closings**

962R0139A Tokyo *FORESIGHT* in Japanese Jul 96 pp 110-112

[Article by journalist Akiyoshi Yamamura: "The True Nature' of the Okinawa Base Issue Has Not Been Addressed; So-Called Antiwar Landowners Issue' Only One Side; Focus Is on Economic Issues'"]

[FBIS Translated Text] The issue of U.S. bases in Okinawa, about which the government and the Okinawa prefecture have confronted each other, will finally draw to a conclusion this summer. On 21 June, the Okinawa prefectural assembly approved a Prefectural Citizen Referendum Code, and a decision has been made to subject two issues to prefectural citizen referendums on 21 June; i.e., the revision of the U.S. Status of Forces Agreement and the question of reducing the U.S. base presence. The referendums will be the center of attention amidst the unstable political situation expected to prevail at the beginning of the fall season.

It need not be mentioned that the basic composition of the recent issue of U.S. bases in Okinawa revolved around government control of land by legal force in those cases where the landowners refuse to sign their land leases. The issue is urgent in terms of the political agenda as 3,002 landowners have indicated that they intend to reject any renewal of contracts that are due to expire in May 1997, and, according to Liberal Democratic Party (LDP) sources, it "could lead to a situation where landowners and their families enter the bases en masse and paralyze base functions in May."

On the other hand, the Special Measures Act Concerning Use of Land by the U.S. Forces provides that the Defense Facilities Administration Agency can take over control of land by legal force as long as it follows prescribed procedures. Even if the landowner and municipal mayor refuse to comply during the "Preparation of Land Protocol" and "Public Notice and Viewing" stages, the control of land by legal force can take effect as long as the prefectural governor signs and executes the lease by proxy authority. In the past, such procedures were followed. However, as is widely known, in response to public opinion intensified by the U.S. Forces personnel rape of a young female in September 1995, Okinawa Governor Masahide Ota has refused to exercise "proxy signature" authority.

If the governor refuses to exercise proxy signature and proxy execution authority, the government can file a suit to force the governor to execute his duties as governor; and the prime minister must await the decision of the Supreme Court before execution of the proxy signature and public notice and viewing procedures. Additional steps that must be taken will be public hearings and a decision by the Prefectural Land Expropriation Committee followed by expropriation action. Fairly complex procedures are involved.

Basically, the government filed a "Proxy Signature Suit" with the Fukuoka Higher Court, which issued a decision in March 1996 in favor of the government, but Governor Ota filed an appeal with the Supreme Court where the case is currently pending. On the other hand, the probability is strong that "Public Notice and Viewing" and proxy execution of the leases will face refusal and filing of a suit; and, even if the issue is subjected to public hearings, the procedures will take until July or August. There is little chance that such proceedings will be completed by May 1997.

In the meantime, the government and the LDP have considered a plan whereby they would overcome the situation by special legislation that limited the authority of the prefectural governor, but, recently, the idea of a "rigid posture" calling for the enforcement of special legislation has subsided and a sudden appearance has been made by a "flexible posture" calling for financial measures such as regional promotional policies. The change was supposedly brought about by opposition from the Social Democratic Party (SDP) to special legislation, but, in reality, the "flexible posture" gives a glimpse of the true nature of the Okinawan U.S. base issue.

That fact is directly reflected in the movements taking place relative to the pending return of the Futenma Air Station.

### **Loss of Land Lease Income Poses Life or Death Issue**

The place is Ginowan City in the southern part of Okinawa prefecture. The central portion of that city, which is situated on the outskirts of Naha city and has a population of 80,000, consists of the Futenma Air Station. The city itself encircles the air station to form a donut-shaped urban spread, while the base itself occupies 34 percent of the total city expanse.

Return of the base has been a strong desire of the local residents for some time since 1991, while discussion of a postbase utilization plan has been accompanied by a city-wide movement for return of the land occupied by the air station. Logically, the decision made on 12 April to return the air station in five to seven years should have been greatly welcome news to local citizens. However, in reality, individuals concerned with the base in the city such as landowners and municipal authority received the news with complex sentiments, including surprise and confusion.

President Kiyoyoshi Hanashiro of Ginowan City's Military Landowners' Association states: "In actuality, there are many landowners who oppose the return of the base. Landowners who have been receiving large sums of land rental fees will face difficulty if payment of fees cease. Futenma alone brings in annual land rental fees exceeding 4.6 billion yen."

The issue is not limited to land rental fees. In return for making land available for use by the U.S. military, many compensatory and fiscal measures have been adopted and the 23.7-billion-yen annual budget of Ginowan City contains many subsidies because of the existence of the U.S. air station. Termination of such fiscal subsidies would pose a life or death issue; and, since the decision to return the air station, Ginowan City has been undergoing turmoil in search of future "economic aid."

On 24 April, the Ginowan City Council held a special session and unanimously adopted a "Resolution Covering Demands Concerning Government Fiscal Measures Relative to Return of the U.S. Futenma Air Station."

Chairman Yoshihito Isa of the Ginowan City Council explains the reason for the resolution by commenting, "After having made Futenma available for use as a military base for 50 years, we would be troubled by any attitude that in essence said, 'We will return the land without any compensatory actions.' Restoration of the land to private-sector use will require hundreds of billion yen in funding, and we would expect the government to provide complete aid in this respect."

Upon approval of the resolution, a delegation was hurriedly formed making Isa the delegation leader; and, in the middle of May, the delegation engaged itself in a mission to visit and file petitions directly with government leaders and concerned ministries and agencies. The delegation has succeeded in obtaining a commitment from the Okinawa Development Agency Director General Saburo Okabe in which he stated, "If we are not able to adequately cope with the situation even after providing for measures in the budget, we will consider changes to the Special Measures Act Concerning Military Land Conversions (SMACMLC)"—while Deputy Chief Cabinet Secretary Kazo Watanabe expressed his sentiments by stating, "I have been instructed by the prime minister to give the highest priority to providing for measures relative to the return of the air station in the budget. I intend to do a thorough job so that the actions we take here will serve as a precedent for the future return of bases."

Changes to the SMACMLC is of major importance to landowners. Under the current version of the SMACMLC, special compensation is paid landowners for three years after return of land at the same rate as the rental fees. However, they say the land is useless for 20 years even after it is returned, and the current compensation period is exceedingly short from the landowners perspective. Ginowan City has already requested the government to extend the compensation period from five to 10 years.

The previously mentioned Chairman Hanashiro states, "The issue facing the Okinawan landowner, with the exception of those who oppose war, is of an economic nature." He continues, "Landowners in the past faced difficulties as a result of being evicted from their landholdings. Once their land is returned, landowners who have been receiving land rental fees face unstable livelihoods."

Attention is focused on the 3,002 landowners who refuse to sign rental contracts, but they control only 10 percent of the land used by the U.S. military. One-third of the land used by U.S. Forces in Okinawa comprise privately owned land, and landowners of such land total about 28,500. About 90 percent of that figure are landowners who have current rental contracts in force. In the case of Futenma, 2,175 of the 2,328 landowners are members of the landowners association, and the vast majority have current rental contracts in force. It can be said that such landowners with current contracts in force have supported the Japan-U.S. Security System; but, on the other hand, they have been dependent on the bases to the degree that they would face a dilemma if their land is returned to them.



According to data made available from the Fiscal Year 1994 Ginowan City Landowners' Association records, the annual revenues from land rental fees collected for Futenma Air Station total about 4.689 billion yen. Criteria for calculation of land rental fees vary according to the individual municipalities and include residential and semiresidential rates and, in the case of Ginowan City, are set at an average of 1,371 yen per square meter for residential land and 1,070 yen per square meter for semiresidential land, including farm land. The average annual income per landowner is about 2.01 million yen. Contracts are renewed annually, and rental fees have been increased at an average annual rate of 5-6 percent.

A look at the breakdown of landowners shows that half the owners possess less than 300 tsubo (or about 1,000 square meters) and that close to 20 percent of the owners are major landholders who possess more than 900 tsubo. In terms of land rental fees collected, more than 60 percent fall in the 500,000-yen to 3-million-yen category, while 146 collect more than 3 million yen and four collect more than 10 million yen. In Fiscal Year 1996, the four will increase to close to 10.

Land rental fees are paid in two increments in July and November of each year, but one local landowner relates, "The whole town takes on a celebration mood, and the bars are busy. Many of the landowners who collect large fees frequent the pachinko parlors." Reportedly, land rental fee payment season is witnessed by bank employees making the rounds of landowners with various inducements to encourage bank deposits.

#### **Costs Associated With Return of Land Will Total 1 Trillion Yen**

This is truly a case of sensing an "economic issue," but this is a critical perspective in viewing the Okinawan issue from a broad viewpoint.

Because of historical events, the government has adopted policies that have given "special preference to Okinawa relative to fiscal subsidies." Budgetary funds and subsidies are extended to Okinawa by the government in a number of ways, such as regional grants, treasury funds, public works funding, and special defense facilities-associated improvement-adjustment funds.

According to the Okinawa Development Agency, Fiscal Year 1996 regional grants to be dispensed to Okinawa prefecture will total 321.5 billion yen, including 189.1 billion yen for the prefectural government and 132.4 billion yen for its municipalities. Further, subsidies paid out of the national treasury will total 317.1 billion yen, including 213.9 billion yen for the prefectural government (which ranks Okinawa second nationwide

on a per capita basis) and 103.2 billion yen for its municipalities (which ranks Okinawa first nationwide on a per capita basis).

Public works project funding provided by the Ministry of Construction total about 286.5 billion yen. Further, special defense facilities grants issued by the Defense Facilities Agency in Fiscal Year 1995 amounted to 1.932 billion yen.

In addition, "special funding issued in support of U.S. Forces in Japan" dispensed by the Defense Agency for Okinawa in Fiscal Year 1996 included 51 billion yen for procured labor administration expenses (costs associated with Japanese employees at U.S. bases) and 17.7 billion yen in the form of U.S. facilities-associated operating expenses and funds to implement various "abatement projects" near U.S. bases. Funding for the maintenance of bases made available to the U.S. Forces totaled 15.2 billion yen. Supplemental funding to cover items such as compensatory payments reached 76.9 billion yen (inclusive of 72.6 billion yen for land rental fees). The total for these programs came to 160.8 billion yen.

Truly massive funding in the amount of 1 trillion yen is being dispensed to Okinawa from the national treasury. The situation is underpinned by the government's stance that Okinawa shall be generously compensated economically in exchange for sacrificing itself for Japan-U.S. security goals, but the financial spigot cannot be turned off just because U.S. bases are to be vacated. As can be seen in the case of Futenma, when bases are returned to their owners, the local government will be seeking fiscal measures that exceed current spending.

Ministry of Finance sources estimate that expenses associated with the return of Futenma Air Station will be "about 1 trillion yen to include expenses incurred in regional recovery and compensation in lieu of rental fees." And, there will be more. The local government will not be satisfied unless the military base activities are replaced by industrial activity through economic promotional programs. The return of bases to local owners confront the government with many difficult postclosure issues.

An ulterior goal in the return of Futenma Air Station must have been the appeasement of Okinawan sentiment, normalization of relations with Okinawa that had been distorted since the "proxy signature rejection action," and an end to the struggle by the landowners rejecting renewal of land lease contracts. However, ironically, the pending return of Futenma Air Station opened the "Pandora's Box" known as "economic issues" lurking in the background of the political struggles.



Basically, the "issue of landowners refusing to sign land-lease contracts, the issue of refusing to execute proxy signatures," and the "issue of U.S. base returns" should be discussed on different grounds. However, as long as Governor Ota is acting on the basis of "prefectural citizen public opinion," if he should irritate prefectural citizen sentiments relative to the base return issue, he would adversely impact the landowner contract rejection issue. Accordingly, he has no choice but to assume a cautious approach on the selection of a substitute heliport location for Futenma and patronize the residents of Ginowan City.

Further, because of President Clinton's joint statement announcing "return of 20 percent of the U.S. installations," Okinawan citizens are looking "beyond Futenma" and are eyeing the "promotion of economic programs for Okinawa as a whole." The various situational issues concerning "Okinawa Base Issues" have evolved through a domino effect into an "Okinawa Issue."

#### **Treatment of "Minor Landowners" Will Provide Key to Solving Overall Situation.**

In such a sense, LDP sources have positioned budget measures including those concerning regional promotion plans as "doors leading to resolution of Okinawa issues." Within the LDP, the "Okinawa Prefectural Comprehensive Promotion Measures Special Research Committee, coming under the direct control of Prime Minister Hashimoto and chaired by Secretary General Koichi Kato, has gone into full-scale operation and has already made the decision to include Okinawa Promotional Project funding in next year's budget to cover preferential tax treatment for encouraging industry to enter the Okinawan market and to provide substantially reduced air transportation tariffs to Okinawa. Specifically, actions being considered include converting Naha or Ginowan City into an international trade center and free trade zone. Another item under consideration is a huge cultural budget to cover costs for building an academic city, research on subtropical plant research, and tradition and culture research. In addition, consideration is being given to an entirely separate package calling for exceptionally huge funding of "2 trillion yen in economic aid before the return of Futenma Air Station."

Noriaki Watarase, who serves as assistant to the administrative bureau chief of the Research Subcommittee of the LDP Defense Committee, states, "The government has certainly extended huge assistance to Okinawa in the past, but the spending was mainly focused on old 1955 vintage concepts covering public works projects. The benefits of such spending tended to be narrow and limited to a select group, and it is questionable as to

whether they benefited Okinawan citizens as a whole. That is the very reason why you hear voices of discontent of the current nature. We must devise new kinds of policies that are mindful of people who did not benefit in the past."

Coordination concerning the next fiscal year budget request has just about peaked; but, in August, a visit to Okinawa is scheduled by Secretary General Kato, and the LDP will probably continue its search for a "flexible policy" up until the prefectural citizen referendum.

However, despite such efforts, the issue of landowners who refuse to sign land-rental contracts will remain.

Just as attorney Hideyuki Maejima of the SDP mentions, "If you try to win over people with money, you eventually face repercussions." Those landowners in Okinawa who refuse to sign land-lease contracts are "antiwar landowners" who are waging a political battle with great resolve. A special problem is the existence of 95 percent of the 3,002 landowners who are "minor landowners." They are individuals who purchased land from Okinawa's antiwar landowners just before the restoration of Okinawa to Japanese rule, and many of them are activists residing in mainland Japan. Treatment of such individuals who are concentrated as landowners at Kadena Air Base will probably serve as the key to what happens in the future.

One government source reveals, "Presently, we are making an effort not to irritate the "minor landowners," but we are entertaining plans such as going on the offensive with sympathy payments or cooperation appreciation funds. The government is now formulating a carrot-and-stick policy including economic measures and a special measure act." When Okinawa was returned to Japanese government control, the government substantially reduced the number of antiwar landowners by raising the land rental fees sixfold. Even this time around, there are signs that the government will use similar measures, such as raising land-rental fees and using "minor landowner spending actions" such as those aimed at improving conditions around U.S. bases.

However, currently, the minor landowners show no signs of any willingness to negotiate. In the latter half of this year, the government will go on a concentrated offensive to resolve the Okinawa issue using both firm and flexible policies, but since it is an issue that could lead to dissolving the lower house, any error on the part of the government could undermine the Hashimoto administration.

**Japan: Article Views Poor Performance of U.S. Trade Representative**

OW2808103396 Tokyo *EKONOMISUTO In Japanese*  
3 Sep 96 p 19

[Article by Toshiro Hara, MAINICHI SHIMBUN Washington Bureau: "U.S. Trade Representative Office's Low Morale (?) Because of the Japan-U.S. Semiconductor Negotiations"]

[FBIS Translated Text] Concerning the Japan-U.S. semiconductor problem settled in early August, whispering has begun about the low morale of the U.S. Trade Representative office, the advanced headquarters of U.S. trade policy toward Japan.

The Japan-U.S. semiconductor talks developed in favor of Japan not only because the semiconductor industries of both countries were satisfied with the current situation, but also because of the fact that the 1991 Japan-U.S. semiconductor agreement was to expire by the end of July. Therefore, unlike last year's auto talks, the U.S. side was on the defensive in its negotiations. For this reason, acting U.S. Trade Representative Charlene Barshefsky had shown her stance to accept the Japanese side's proposals in their main outlines since the first ministerial meeting. And the Japanese side had been intently waiting for the U.S. Government's reply because Barshefsky took time in making an adjustment with the U.S. semiconductor industry.

A source on U.S. trade matters points out, first of all, a difference of ability between Commerce Secretary Mickey Kantor, former U.S. trade representative, and acting U.S. Trade Representative Charlene Barshefsky: "At the time of last year's auto talks, Representative Kantor arrived in Geneva five days before the negotiation deadline, and he promoted the talks while making frequent contacts with President Clinton and the auto industry. This time, however, Acting Representative Barshefsky arrived in Vancouver on 29 July, although 31 July was the deadline. For this reason, it took time for Barshefsky to settle the issue because of her inability to conduct adequate adjustments with the administration and the industry." The same person refers to a difference of the two people's position: "Concerning the relationship with President Clinton, Kantor had a direct contact with the president and promoted the talks, with a certain concession in mind. But Barshefsky was different. During the semiconductor talks, Barshefsky had a phone call from the president several times. She seems to have been very nervous before a phone call and seems to have been unable to make a decision herself." Concerning this, a Japanese negotiator says, "I hear Acting Representative Barshefsky stood at attention while talking with the president on the telephone. She seems

to have had no elbowroom, placed between the White House and the industry. Even Barshefsky's Japanese negotiation counterpart, Shunpei Tsukahara, International Trade and Industry Minister, sympathized with her."

On the other hand, one Japanese negotiator emphasized that the negotiations were conducted at Japan's own pace from first to last and disclosed the following: "The Japanese side was ready to reach an agreement through the negotiations that lasted till the dawn of 1 August, but Acting Representative Barshefsky did not consent to the agreement. The reason is: International Trade and Industry Minister Tsukahara had beforehand notified the U.S. side that 'he had to return to Japan on official business on 1 August.' For this reason, Acting Representative Barshefsky seemed to have thought that if the U.S. side persevered in its efforts, the Japanese side would make a heavy concession. Actually, however, Minister Tsukahara could afford to extend his schedule; therefore, 'he suggested that the negotiations be continued till 2 August.' Consequently, the U.S. trade representative side gave up obtaining a heavy concession."

When the negotiations ended, the United States stated that "the private sector would collect the market share data of foreign semiconductors and that Super 301 Article would be applied if the Japanese market is found to be closed." The United States further emphasized its negotiation achievements by stating that the agreement this time is not different from the 1991 Japan-U.S. semiconductor accord. However, it is true that among responsible U.S. people there is a rumor that "Kantor would have done better."

Criticism against Acting Representative Barshefsky from inside and outside the Clinton administration seems to be very severe, as shown by the fact that her promotion to the "post of trade representative" was postponed till after the presidential election.

**Japan: Editorial Urges Early Liberalization of Insurance Sector**

OW2808103196 Tokyo *MAINICHI SHIMBUN in Japanese* 25 Aug 96 *Morning Edition* p 5

[Editorial: "Priority Should be Given to Consumers Over the United States"]

[FBIS Translated Text] Liberalization of the insurance sector has reached a crucial stage. Life and nonlife insurers have formed their subsidiaries to enter into each other's market, and will apply for the Ministry of Finance's (MOF) approval for starting their business from October. If the MOF gives them the go-ahead, friction with the United States, which is trying to hold

the MOF's move in check, will enter into a critical phase. If the ministry applies an illogical solution to this matter out of consideration for the United States, the long-awaited liberalization of the insurance sector will be twisted and come to a standstill. Therefore, Japan should announce at home and abroad that it will take the initiative in implementing liberalization before October, when liberalization is originally scheduled. In other words, Japan should seek a U.S. compromise with the policy of giving priority to consumers.

Now is the time for the MOF, which has protected and developed the insurance industry with extra care, to take radical action. The ministry should not hesitate to do so because it has naturally reached a great turning-point by promoting financial liberalization over ten years. It needs to make a decision to eliminate all contradictions in the insurance industry. This should be done not by MOF officials, but by the MOF minister himself.

There are many contradictions in this sector. The biggest is the administration's overprotection. For example, insurers' annual revenues from premiums are huge and almost equal to the total of income and corporate tax revenues, which comprise the main part of the national tax revenues. An enormous amount of funds is collected and accumulated every year. As the result, the total assets of life insurers will soon reach 200 trillion yen. The MOF has so far treated a big insurance company, which solely holds nearly 20-percent share of the market, and other insurers, which are less than one-hundredth of the former in business scale, under the same standard. Such a structural problem causes overprotection of the huge company.

The same thing can be said for the nonlife insurance sector. The MOF has given consideration to this sector so that both big nonlife insurers, which cover worldwide by accompanying Japanese firms doing business all over the world, and small companies, whose market share is less than one percent, can earn profits without fail. The life and nonlife sectors are famous for the administration's overprotection, and are supported by insurance products and restrictions on assets management system designed to prevent their bankruptcy. Needless to say, the highest priority has been given to protection of companies over consumers, and this is why all policyholders feel that something is wrong with the current system. Such a policy by the MOF has protected people from incurring the damages from unreliable insurance policies, and has supported the Japanese society based on credit. Although there are limits and problems with the excessive safeguard, it has been approved so far. However, the need to give such consideration to companies and society is diminishing. This is the trend of the times and the choice of the people.

Insurers are aware of the upcoming period of competition, and ready for it. We should not miss this opportunity. There are 400,000 life insurance saleswomen; and 450,000 nonlife insurance agencies. Their energy is overwhelming. The Japanese insurance market is supported by their energy and people and companies that pay premiums unwillingly. We should reconsider this. The present situation does not allow the MOF Insurance Department to hold the wrong view that it stands at the top of the industry to control the entire market. We should expect that the private sector's energy will create insurance products that are more consumer-friendly and useful.

#### **Tokyo, Pyongyang Trying To Resume Talks on Diplomatic Ties**

OW2808050196 Tokyo KYODO in English  
0442 GMT 28 Aug 96

[FBIS Transcribed Text] Tokyo, Aug. 28 KYODO — Japan and North Korea are trying to resume negotiations on normalization of diplomatic relations, diplomatic sources said Wednesday.

Senior Foreign Ministry officials of the two countries are scheduled to hold a two-day meeting in Beijing, starting Wednesday, to discuss the reopening of negotiations, the sources said.

The unofficial meeting is at least the third of its kind this year, following those in March and June, they said.

The Japanese side is expected to press North Korea to accept proposed four-way talks with South Korea, China and the United States on lasting peace on the Korean peninsula before starting the bilateral negotiations, the sources said.

North Korea, however, is likely to ask for a prompt resumption of bilateral talks to normalize diplomatic ties regardless of any developments on the four-way peace meeting, they said.

The Tokyo-Pyongyang negotiations on diplomatic relations have stalled since violations of an armistice agreement by North Korean soldiers at the border truce village of Panmunjom in May, despite the optimism that once emerged when the division chiefs of both foreign ministries met in Beijing in mid-March, they said.

Since the U.S. and South Korea proposed the four-way peace talks in April, Japan has urged North Korea to accept the proposal.

For the bilateral relationship, however, Japan will seek negotiations in parallel, Foreign Ministry officials said.



**Japan: Hashimoto Holds Talks With Peruvian President Fujimori**

*OW2708155096 Tokyo KYODO in English*  
*1453 GMT 27 Aug 96*

[FBIS Transcribed Text] Lima, Aug. 27 KYODO — Japanese Prime Minister Ryutaro Hashimoto began talks with Peruvian President Alberto Fujimori at the president's official residence in Lima on Tuesday, Japanese officials said.

Hashimoto was expected to convey to Fujimori Japan's appreciation of his administration's success in eradicating terrorism and controlling inflation.

The officials said the two leaders would discuss the supply of Japanese yen loans on an annual basis for the first time to a South American country.

Hashimoto and Fujimori will also discuss a resumption of the dispatch of personnel from the Japan overseas cooperation volunteers under a scheme run by the government-funded Japan International Cooperation Agency (JICA).

JICA suspended sending volunteers to Peru after the killing of three of its personnel by leftist guerrillas in July 1991.

The officials said the talks would also cover plans to send a Japanese Government economic cooperation fact-finding team to Peru in November.

They said Hashimoto and Fujimori were expected to discuss Peru's bid for membership of the Asia-Pacific economic cooperation forum and to reaffirm plans for a Peruvian presidential visit to Japan in 1999, which marks the centenary of the commencement of Japanese immigration to Peru.

The talks are also likely to cover the reestablishment of a framework for trade insurance, cooperation over a basic plan for the promotion of tourism, and cooperation with the United States over environmental protection and drug control, the officials said.

Later in the day, Hashimoto is scheduled to attend a reception hosted by Peruvians of Japanese descent and a banquet hosted by Fujimori in the evening.

Peru is the fourth stop in Hashimoto's five-nation tour of Latin America which has so far taken him to Mexico, Chile and Brazil.

After Peru he will visit Costa Rica and return to Tokyo on Friday via Hawaii.

**Japan: Tokyo Resumes Fishery Talks With China in Beijing**

*OW2808080396 Tokyo KYODO in English*  
*0736 GMT 28 Aug 96*

[FBIS Transcribed Text] Beijing, Aug. 28 KYODO — China and Japan reopened fishery talks in Beijing on Wednesday, Japanese Government officials said.

The two-day meeting comes after the two countries failed to make any progress in the first round of talks held in Tokyo in April.

During the Tokyo talks, Japan sought a review of the current Sino-Japanese fishery pact while shelving the issue of ownership of the Senkaku islands, called the Diaoyu Islands in China, in the East China Sea.

On the other hand, China maintained that the two sides should discuss setting boundaries for their continental shelves and exclusive economic zones.

**Japan: New Foreign Ministry Position for Territorial Disputes**

*OW2708011996 Tokyo YOMIURI SHIMBUN*  
*in Japanese 26 Aug 96 Morning Edition p 2*

[FBIS Translated Text] As of 25 August, the Ministry of Foreign Affairs [MOFA] decided to set up a new position in its Treaties Bureau and appoint an official to handle negotiations related to territorial affairs. MOFA will also set up another position in its Consular and Migration Affairs Department and appoint an official to deal with overseas safety measures. Expenses related to these positions will be included in MOFA's budget requests for FY1997.

The decision to set up a new position to handle territorial negotiations is part of MOFA's plan to strengthen its organizational structure in response to an expected increase in the frequency of territorial negotiations. These include plans to hold Japanese-ROK negotiations over the issue of drawing boundaries in accordance with the designation of the Japanese and ROK exclusive economic zones and the resumption of working-level meetings on the issue of concluding a peace treaty with Russia. Among other duties, the official appointed to this new position will help work out legal interpretations of such issues.

With a growing number of Japanese nationals moving overseas, the number of cases in which they fall victim to crime and accidents is on the rise. For example, an executive of a Japanese company was recently kidnapped in Mexico. As a result, the official charged with overseas safety measures will try to prevent such



incidents by maintaining close contact with private companies.

**Japan: BOJ Economists Report Shows Lower Business Confidence**

OW2808060196 Tokyo KYODO in English  
0455 GMT 28 Aug 96

[FBIS Transcribed Text] Tokyo, Aug. 28 KYODO — Business confidence of Japan's major manufacturing companies worsened for the first time in one year, the Bank of Japan (BOJ) said in a quarterly survey report Wednesday.

Economists said the survey underscored Japan's economic recovery is only moderate making it unlikely that the BOJ will tighten its monetary grip this year.

The closely watched "Tankan" survey report said its key business sentiment index fell to minus 7 for major manufacturers in August from minus 3 in the previous survey in May.

The figure — the percentage of companies saying their business climate is improving minus the ratio of those reporting worsening conditions — was far lower than the reading of a zero predicted by respondents in the May survey.

Deterioration in business sentiment was particularly notable in the basic materials sector, such as pulp and paper companies, iron and steel companies, and chemicals, the report said.

Masaru Takagi, chief economist at the Fuji Research Institute, said the latest Tankan survey showed the momentum of Japan's economic recovery is very weak.

Behind the worsened sentiment is a delay in adjustment of product inventories, particularly in paper-pulp, petroleum refining, steel, chemicals, and other materials sectors, Takagi said.

This indicates the economy-boosting effects of last year's record 14.2 trillion yen pump-priming package are dwindling, he said.

"It is unlikely that the BOJ will raise the official discount rate in the near future, and the central bank should not take such a step as the possibility cannot be ruled out that the economy will slip back into marking time," Takagi said. The key rate is now at a historical low of 0.5 percent per annum.

Following the worsened figure for the major manufacturers' index, the dollar rose into the 108 yen level in Tokyo interbank trading because of the receded likelihood of an interest rate hike in Japan, and money market rates in Tokyo fell.

The Tankan survey said the business sentiment index for major nonmanufacturers improved to minus 4 from minus 9. The reading, however, was lower than the minus 3 anticipated in the May survey.

Looking ahead to the period through December, the latest survey said the index is expected to improve to a zero for major manufacturers and to minus 3 for major nonmanufacturers.

Among other Tankan components, the capital investment survey showed that major companies — both manufacturers and nonmanufacturers — expect to spend 6.6 percent more in fiscal 1996 ending next March 31 than in the previous year.

This is up from the 6.0 percent growth in investment they predicted in the May survey.

Takagi said it is necessary to see an increase of at least 10 percent in fiscal 1996 capital outlays to put the economy on a self-sustainable recovery without support from public investment.

Akiyoshi Takumori, chief economist at Sakura Securities Co., said it is difficult to expect a sharp increase in capital spending in the second half of fiscal 1996.

The latest survey indicates the pace of Japan's economic recovery will slow down as the effects of last year's pump-priming package fade, he said.

In the latest Tankan survey, leading manufacturers forecast their pretax profits for fiscal 1996 will show a year-on-year 13.3 percent rise, compared with a projected 13.2 percent rise predicted in the May survey, while major nonmanufacturers anticipated a 5.3 percent increase, down from a 7.0 percent rise predicted in May.

Fiscal 1996 sales are now estimated to rise 3.7 percent for major manufacturers, compared with a 3.4 percent gain predicted in May, and nonmanufacturers see an increase of 2.0 percent, up from the 1.9 percent rise they forecast in May.

The readings in the latest Tankan survey are expected to give impetus to calls that the government should compile a supplementary budget this fall to help support the economy's recovery.

Meanwhile, the business sentiment index for small and medium-sized manufacturers came to minus 17, improving by two points, but that of nonmanufacturers dropped one point to minus 7, the report said.

**Japan: BOJ 'Has No Intention of Changing'  
Economic Assessment**

OW2808083496 Tokyo KYODO in English  
0740 GMT 28 Aug 96

[FBIS Transcribed Text] Tokyo, Aug. 28 KYODO — The closely watched bank of Japan (BOJ) "Tankan" survey released Wednesday indicated that Japan's economic recovery is only moderate, as the key index of business confidence of major manufacturers worsened for the first time in a year.

Economists said the poor showing in the quarterly Tankan report makes it unlikely that the BOJ will tighten its monetary grip this year, since worries are growing that Japan's economic recovery might falter later in the year.

The weak figure is expected to give impetus to calls that the government should compile a supplementary budget this fall to help support the economy's recovery, although the Finance Ministry is against increasing public investment because of the strained state of the nation's finances.

The report said its key diffusion index for business confidence of major manufacturing companies deteriorated to minus 7 in August from minus 3 from in the previous survey in May.

The figure — the percentage of companies saying their business climate is improving minus the ratio of those reporting worsening conditions — was far lower than the reading of zero predicted by respondents in the May survey.

But Masayuki Matsushima, director of the BOJ's research and statistics department, said, "under current circumstances, the BOJ has no intention of changing its economic assessment."

"Though major manufacturers' sentiment worsened, the economy remains on a mild recovery track, judging from overall data of the Tankan survey," he said.

Behind the deteriorated sentiment is slower-than-expected adjustment of product inventories in the basic materials sector, such as paper and pulp makers, iron and steel companies, and petroleum refiners and chemicals makers, Matsushima said.

Masaru Takagi, chief economist at the Fuji Research Institute, said the latest Tankan survey shows the momentum of Japan's economic recovery is very weak.

The delay in inventory adjustment shown in the survey indicates the economy-boosting effects of last year's record 14.2 trillion yen pump-priming package are dwindling, he said.

"It is unlikely that the BOJ will raise the official discount rate in the near future, and the central bank should not take such a step as the possibility cannot be ruled out that the economy will slip back into just marking time," Takagi said.

The rate charged by the central bank on loans to commercial banks has been left unchanged at a historic low of 0.5 percent since last September.

Akiyoshi Takumori, chief economist at Sakura Securities Co., also said the August survey indicates the pace of Japan's economic recovery might slow down in the second half of fiscal 1996, which ends next March 31.

"There is a growing possibility of the BOJ refraining from raising the discount rate by the end of this year," Takumori said.

The survey said the business sentiment index for major nonmanufacturers improved to minus 4 from minus 9. The reading, however, was lower than the minus 3 anticipated in the May survey.

Looking ahead to the period through December, the latest survey said the index is expected to improve to zero for major manufacturers and to minus 3 for major nonmanufacturers.

The poor showing in the latest survey spurred investors' uncertainty over the future of the economy and Tokyo stock prices fell sharply Wednesday, with the benchmark Nikkei average shedding more than 200 points.

Japanese Government bonds, on the other hand, rose sharply on repurchases of spot and futures contracts.

Among other Tankan components, the capital investment survey showed that major companies — both manufacturers and nonmanufacturers — expect to spend 6.6 percent more in fiscal 1996.

This is up from the 6.0 percent growth in investment they predicted in the May survey.

Takagi, however, said it is necessary to see an increase of at least 10 percent in fiscal 1996 capital outlays to put the economy on a self-sustainable recovery without support from public investment.

In the latest Tankan survey, leading manufacturers forecast their pretax profits for fiscal 1996 will show a year-on-year 13.3 percent rise, compared with a 13.2 percent gain predicted in the May survey.

Major nonmanufacturers, meanwhile, anticipated a 5.3 percent profit increase, down from a 7.0 percent rise predicted in May.

Fiscal 1996 sales are now estimated to rise 3.7 percent by major manufacturers, compared with a 3.4 percent

gain predicted in May, and major nonmanufacturers see an increase of 2.0 percent, up from the 1.9 percent rise they forecast in the last survey.

BOJ's Matsushima said capital-spending and earnings prospects are uncertain.

The semiconductor industry's sluggishness resulting from a plunge in prices of memory microchips does not seem to be fully reflected in the August survey, he said.

At the same time, however, favorable effects from the yen's recent weakness against the dollar is expected to emerge more in future Tankan surveys, he said.

A weaker yen makes dollar-denominated exports of Japanese products more competitive in global markets.

Meanwhile, the latest survey said the business sentiment index for small and medium-sized manufacturers came to minus 17, improving by 2 points, but that of nonmanufacturers dropped 1 point to minus 7.

This summer's O-157 food-poisoning epidemic is adversely affecting smaller food-related service companies, Matsushima said.

#### **Japan: Officials Say BOJ Economic Views Consistent With EPA**

*OW2808135596 Tokyo KYODO in English  
1028 GMT 28 Aug 96*

[FBIS Transcribed Text] Tokyo, Aug. 28 KYODO — Results of the August "Tankan" survey of business confidence by the bank of Japan are consistent with the view of the Economic Planning Agency (EPA) that the nation's economy is gradually recovering, agency officials said Wednesday.

The officials said, however, the quarterly report, released earlier the day, shows the pace of the recovery is slowing.

Shusei Tanaka, director general of the agency, told reporters that in the event of the real economic growth rate declining sharply — though he does not expect this at present — the government should consider forming an extra budget.

Asked about a 4-point fall in a key diffusion index for business sentiment of major manufacturers to minus 7 from minus 3 in the previous survey in May, a senior agency official said, "it sagged partly in reaction to the strong business recovery in the January-March period that was seen even after eliminating the special boosting factor of the leap year."

The official, who wanted to remain anonymous, added that it was a positive sign that both major and smaller

companies revised upward their capital investment plans from May in the August tankan report, amid the deteriorating situation in the semiconductor market.

But he acknowledged an excess in the labor force continues mainly among major corporations.

#### **Japan: Takemura, Hatoyama Meet, Fail To Agree on New Party**

*OW2708125896 Tokyo KYODO in English  
1212 GMT 27 Aug 96*

[FBIS Transcribed Text] Tokyo, Aug. 27 KYODO — New Party Sakigake's Masayoshi Takemura and Yukio Hatoyama failed to reach consensus Tuesday over a new party Hatoyama plans to establish next month and only agreed to meet again Wednesday.

Takemura, Sakigake leader and former Finance Minister, and Hatoyama, who resigned as Sakigake chief secretary earlier in the day, met for nearly three hours at the party's headquarters.

Hatoyama is expected to quit Sakigake, the smallest bloc in the three-party ruling coalition, and will openly start work to form the planned new party, Sakigake sources said.

Hatoyama has openly said he does not want Takemura to be a member of the planned party, a statement which displeased Takemura, who himself led a group of splinters from the Liberal Democratic Party (LDP) to launch Sakigake three years ago.

Hatoyama's younger brother Kunio Hatoyama, a former education minister, said Monday he will quit Shinshinto (New Frontier Party), the country's main opposition party, to join it if his brother leaves Sakigake and launch the new party.

The sources said the new party is likely to have at least 10 members initially.

About five legislators from Sakigake, including Susumu Yanase, Koichiro Gemba and Ko Tanaka, are expected to join the new party, and Hirotaka Akamatsu, a former secretary general of the Social Democratic Party (SDP), may follow suit, the sources said.

SDP Secretary General Kanju Sato predicted Tuesday that less than five members of both the SDP and Sakigake will leave their parties to join the new party.

Banri Kaieda, who leads the small citizens action league party, told a press conference Tuesday that all five members of his party will join the new party to be launched by Hatoyama.

Kaieda said he will ask Health and Welfare Minister Naoto Kan, a member of Sakigake, to join.



**Japan: Takemura, Hatoyama To Meet Again on New Party Plans**

OW2708141996 Tokyo KYODO in English  
1355 GMT 27 Aug 96

[FBIS Transcribed Text] Tokyo, Aug. 27 KYODO — New party Sakigake President Masayoshi Takemura and Yukio Hatoyama, who has just quit the no. 2 party post, failed to reach a compromise Tuesday in a meeting over a new party Hatoyama plans to launch soon.

"We will reconvene at 10:30 A.M. tomorrow to seek a conclusion," Hatoyama told reporters after the nearly three-hour session at Sakigake headquarters.

Hatoyama said he related his stance that he wants Takemura to "refrain" from joining the new party Hatoyama plans to establish in September so that the party can attract a broad range of people.

He declined to reveal Takemura's reply or other details of their discussion.

"I did not discuss the matter of my leaving the party," said Hatoyama, who submitted his resignation Tuesday morning as the party's chief secretary.

Hatoyama is expected to quit Sakigake, the smallest bloc in the three-party ruling coalition, and start to form a new party, Sakigake sources said.

Takemura told reporters, "I told him that we share the common stand of pursuing the creation of a new party and that let us get back to this starting point."

"I intend to try to find a point we can agree on," while knowing that Hatoyama does not want him in the new party, Takemura said.

After Wednesday's session, they will hold separate press conferences, said Takemura, a former finance minister.

Sakigake, which forms the tripartite ruling alliance with the Liberal Democratic Party (LDP) and the Social Democratic Party (SDP), faces a breakup because of Hatoyama's new party drive.

Hatoyama said Sunday he does not want Takemura to join the new party, a statement which displeased Takemura, who led a group of splinters from the LDP to form Sakigake three years ago.

He has also said the two other key figures promoting the new party believe the new party will have more voter appeal without Takemura. The two are his younger brother Kunio Hatoyama and Hajime Funada, both belonging to Shinshinto (New Frontier Party), the main opposition party.

Takemura has hoped for the participation of most Sakigake members in Hatoyama's party.

Hatoyama plans to form the new party, calling for transforming Japanese society from one led by the bureaucracy to one led by citizens. Kunio Hatoyama, former education minister, said Monday he will quit Shinshinto to join it if his brother leaves Sakigake and launches the new party.

The sources said the new party is likely to be established with at least 10 members initially.

About five legislators from Sakigake, including Susumu Yanase, Koichiro Gemba and Ko Tanaka, are expected to join the new party, and Hiroataka Akamatsu of the Social Democratic Party (SDP) may also follow suit, the sources said.

SDP Secretary General Kanju Sato predicted Tuesday that less than five members of both the SDP and Sakigake will leave the parties to join the new party.

Banri Kaieda, who leads the small Citizens Action League Party, told a press conference Tuesday that all five members of his group will join the new party to be launched by Hatoyama.

Kaieda said he will ask Health and Welfare Minister Naoto Kan, a member of Sakigake, to join the new party.

**Japan: Hatoyama Quits Sakigake To Form New Party**

OW2808084996 Tokyo KYODO in English  
0835 GMT 28 Aug 96

[FBIS Transcribed Text] Tokyo, Aug. 28 KYODO — New Party Sakigake Chief Secretary Yukio Hatoyama said Wednesday he is quitting Sakigake to form a new party by mid-September.

Hatoyama made the announcement in a joint press conference with Sakigake Chief Masayoshi Takemura, held after a meeting in which they failed to reconcile their differences over how to form the new party.

Takemura told the press conference, "given the situation that Mr. Hatoyama and his colleagues have gotten together (to form a new party), I've realized that we could not find a third way."

Hatoyama and six other legislators, including his younger brother Kunio, a member of Shinshinto (New Frontier Party), have agreed to form the new party next month and expect some 25 lawmakers, mainly from Sakigake and the Social Democratic Party (SDP), to join it.

Takemura was seeking to change his party as a whole into a new party, possibly involving some elements of the SDP, but Hatoyama has said he does not want Takemura to be an initial member of the new party.

The SDP and Sakigake are part of the ruling tripartite coalition led by Prime Minister Ryutaro Hashimoto of the Liberal Democratic Party.

**Japan: Hatoyama Statement on Departure From New Party Sakigake**

*OW2808134696 Tokyo NHK General Television Network in Japanese 0901 GMT 28 Aug 96*

[News conference by Yukio Hatoyama, former secretary general of New Party Sakigake, with unidentified reporters at First Diet Members' Office Building; live from "NHK News" program]

[FBIS Translated Text] [Hatoyama] In hope of building a new political trend, I have decided to leave New Party Sakigake.

I was first elected as a Diet member 10 years ago, and, until today, I think I have been constantly voicing the need for renovation and reform of Japan's politics. In line with this, I built up New Party Sakigake in cooperation with Mr. Masayoshi Takemura [Sakigake head] and other allies to draw a line with corrupt political practices of the Liberal Democratic Party [LDP]. Also, we sought a genuine democracy system overcoming bureaucrat-ruled politics.

In particular, I founded the Liberal Forum with Mr. Takahiro Yokomichi [former governor of Hokkaido] and Mr. Banri Kaieda [House of Representative member leading the Civil League] to discuss positions of liberal-minded conservatives. I exchanged opinions with many labor leaders, and, seeking new political movement based on the local communities, I took part in political discussions in many cities in the nation. Through such activities, to my sorrow, I have to say the nation's political reform is still far from the completion.

New Party Sakigake has been a member of the tripartite coalition with the LDP and the Social Democratic Party [SDP]. Although the coalition is driven by a policy accord approved by the three parties, not a few voters are expressing frustration with a political deadlock. Looking back on the three-year history of Sakigake, I cannot help but ask myself some questions.

I have to break the deadlock. Of course, I have much appreciation for having an opportunity to take part in Sakigake as the party secretary general. On the other hand, I have much to regret. Today, I am going to take action to create a new political trend pursuing my own ideal.

Looking back over the last several days, the focal point has been Sakigake's reaction to my course of action. I strongly feel individual action and decision is needed to encourage assembly from wide-ranging fields. As SDP-

Sakigake merger was once sought by Mr. Takemura and Mr. Tomiichi Murayama [SDP head]. I was not for the idea because I thought the new party should include other parties too. I believe the public will not support the new party unless it is formed by individuals who gather from beyond the existing framework of political parties. Unfortunately, other leaders of Sakigake did not agree with me on the point, and, as the result, we failed to achieve an accord in Sakigake.

Last night — it was after 11 p.m. — I was invited by about 10 freshman Diet members of Sakigake. They told me I should first leave the party alone, clarify my political goal, and then invite allies on the individual basis. I agreed to follow the step, and I promised them to have negotiations with the Sakigake leadership based on the stance. As I had been seeking measures for providing broader opportunities to those younger dietmen, I was much encouraged by discussion with them. The third point — a formation of the new party through policy-oriented gathering of individual politicians is far from the so-called logic of ostracism. When I spoke on television on Sunday, I said I hope Mr. Takemura will stay for his future career. While this proposal was not made under the logic of ostracism, it aroused criticism from some quarters. In the morning meeting with Mr. Takemura, I frankly apologized for my inappropriate description which troubled him and other Sakigake leaders. In this sense, the three-point proposal by the freshmen are based on exclusion of ostracism. I introduced the proposal to Sakigake leaders, but I could not narrow the gap between the freshmen and the party leadership. Under such circumstances, I offered my resignation not to give further troubles to the party. I also asked for the party's understanding of my future publication of new policy proposals.

In view of Japan's future, blueprints for Japan in the year 2010 or 2015, for instance, I would like to advocate my political ideals having an eye on movements of new generations. In conclusion, please let me note my sincere appreciation for Sakigake members for allowing my departure, and express my best wishes for Sakigake's bright future. I would like to report my decision to you with my hope for a bright future for both of us.

**Japan: Official Says Sakigake President To Resign**

*OW2808033296 Tokyo KYODO in English 0254 GMT 28 Aug 96*

[FBIS Transcribed Text] Tokyo, Aug. 28 KYODO — New Party Sakigake president Masayoshi Takemura will step down as party leader regardless of the outcome of ongoing talks on a new party with Yukio Hatoyama, a senior Sakigake official said Wednesday.

The official said the timing of Takemura's resignation will be determined by Sakigake vice presidents Shusei Tanaka and Hiroyuki Sonoda.

The official made the remarks as Takemura, 62, and Hatoyama, 49, resumed talks on ways to smoothly launch a new party under Hatoyama's initiative.

Hatoyama, who tendered his resignation as Sakigake's chief secretary Tuesday [27 August], has said he does not want Takemura to be a member of his new party.

The first round of talks between Hatoyama and Takemura, a former finance minister, ended in failure Tuesday.

Hatoyama is expected to leave Sakigake, the smallest bloc in a three-party ruling coalition composed of Prime Minister Ryutaro Hashimoto's Liberal Democratic Party and the Social Democratic Party (SDP), chaired by former premier Tomiichi Murayama.

He has also said the two other key figures promoting the new party believe it will have more voter appeal without Takemura.

The two are his younger brother Kunio Hatoyama and Hajime Funada, both belonging to Shinshintō (New Frontier Party), the main opposition party.

Kunio said Monday he will quit Shinshintō to join his elder brother's party, which its advocates say would be more citizen-friendly and rely less on the bureaucracy.

Sources said the new party is likely to be established with about a dozen initial members.

Several Sakigake legislators, including Susumu Yanase, Koichiro Gemba and Ko Tanaka, are expected to join the new party, along with SDP lawmaker Hirotaka Akamatsu.

#### **Japan: Sakigake Said To Split Up Over Hatoyama's Departure**

OW2808111996 Tokyo KYODO in English  
1042 GMT 28 Aug 96

[FBIS Transcribed Text] Tokyo, Aug. 28 KYODO — The smallest ruling coalition component New Party Sakigake was Wednesday set to split up with its former no. 2 man, Yukio Hatoyama, leaving the party to form a new group in mid-September, despite Sakigake president Masayoshi Takemura's efforts to persuade him not to cause a breakup.

"Given the situation that Mr. Hatoyama and his colleagues have gotten together (to form a new party), I've realized that we could not find a third way. We have to allow him to leave the party with a feeling of great regret," Takemura said.

He made the remarks at a press conference jointly attended by Hatoyama, who quit as the three-year-old Sakigake's chief secretary the previous day, following their two-day session.

At the meeting with Takemura on Wednesday, Hatoyama said he would leave the party.

Takemura, a former finance minister, expressed an intention to resign as Sakigake president to take the responsibility for the party's confusion, entrusting the choice of a successor to party executives.

Both of them voiced hope that their blocs will be united again in future.

"Sakigake's principles and policies are not erroneous. To further develop Sakigake's line, I have initiated the creation of a new party," Hatoyama said.

They share a common stand to create a new party, but could not iron out their difference over how to form it, they said.

Takemura was seeking to change his party as a whole into a new party, possibly involving some elements of the Social Democratic Party (SDP), but Hatoyama has said he does not want Takemura to be an initial member of the new party.

In Tuesday's first-day meeting, Hatoyama related his stance that he wants Takemura to "refrain" from joining the new party so that it can attract a broad range of people.

Hatoyama and six other legislators, including his younger brother Kunio, a member of the main opposition Shinshintō (New Frontier Party), have agreed to form the new party next month and expect some 20 lawmakers, mainly from Sakigake and the SDP, to join.

Hatoyama plans to form the new party, calling for transforming Japanese society from one led by the bureaucracy to one led by citizens.

The SDP and Sakigake are part of the ruling tripartite coalition led by Prime Minister Ryutaro Hashimoto of the Liberal Democratic Party (LDP), from which Sakigake left three years ago.

The younger Hatoyama told reporters, "I have to step forward to a new way, but I'm not sure of the timing (of leaving Shinshintō)."

Hajime Funada of Shinshintō, who previously said he wants to join Hatoyama's party, said, "I have to give up taking part, both now and in future."

Banri Kaieda, who leads the small Citizens Action League Party, told a press conference Tuesday that all



five members of his group will join the new party to be launched by Hatoyama.

Kaieda said he will ask Health and Welfare Minister Naoto Kan, a member of Sakigake, to join the new party.

#### Japan: List of NFP's 'Tomorrow's Cabinet' Members

OW2808060996 (Internet) Japanese New Frontier Party WWW in English 9 Aug 96

[From the "Update" link]

#### [FBIS Transcribed Text]The New Frontier Party's Tomorrow's Cabinet

#### Always Prepared to Take the Reins of Government As of August 9, 1996

The "tomorrow's cabinet" concept was developed to be the party's chief policy-making vehicle, with ministers and deputy ministers who would be thoroughly informed and ready to take over the government at any time. The concept is based on the British shadow cabinet system, but "tomorrow" was preferred to "shadow" as the latter has a gloomy connotation in Japanese.

Prime Minister	Ichiro Ozawa
Deputy Prime Minister	Mutsuki Kato
Minister for Coordination	Takeshi Noda
Associate Minister for Coordination	Chikara Sakaguchi
Minister for Administrative Reform	Ichiro Ozawa (concurrent)
Minister for Foreign Policy	Hiroshi Nakai
Minister for Security and Defense Policy	Mutsuki Kato (concurrent)
Minister for Human Rights, Safety & Local Government	Jiro Kaimura
Minister for Economic & Fiscal Policy	Tadaaki Ushijima*
Minister for Education, Culture, Science & Technology	Mie Ishida*
Minister for National Livelihood Policy	Chikara Sakaguchi
Minister for Labor & Employment Policy	Ryohai Adachi*
Minister for Commerce & Industry Policy	Shosuke Miyachi
Minister for Agriculture, Forestry & Fisheries	Tsunao Gondo

Prime Minister	Ichiro Ozawa
Minister for Environment Policy	Yoshio Terasawa*
Minister for Land & Construction Policy	Takashi Aoyama
Minister for Information & Communications Policy	Kazuyoshi Endo
Minister for Transport & Traffic Policy	Megumu Sato

Note: asterisk indicates Member of House of Councillors. All others are Members of House of Representatives.

#### Election Campaign Headquarters for 41st Election of House of Representatives

As of August 9, 1996:

Director-in-Chief	Ichiro Ozawa
Adviser	Toshiki Kaifu
Adviser	Morihiro Hosokawa
Adviser & Associate Director-in Chief	Tsutomu Hata
Deputy Director-in-Chief	Takashi Yonezawa
Deputy Director-in-Chief	Kozo Watanabe
Deputy Director-in-Chief	Koshiro Ishida
Deputy Director-in-Chief	Takao Nishioaka
Deputy Director-in-Chief	Takemori Kanazaki
Deputy Director-in-Chief	Takashi Noda
Deputy Director-in-Chief	Yoriko Hayashi* Director-General
General	Kazuo Aichi
Deputy Director-General	Eijiro Hata
Deputy Director-General	Tsunao Gondo
Deputy Director-General	Shigeto Nagano*
Director	Toshihiro Nikai

Note: asterisk indicates Member of House of Councillors. All others are Members of House of Representatives.

#### Japan: Ichiro Ozawa: Old Soldiers Like Me Should Disappear

96280137A Tokyo SHUKAN BUNSHUN in Japanese 4 Jul 96 pp 50-54

[Interview with Ichiro Ozawa, Shinshinto chairman, by Sawako Agawa in her interview series entitled "I Would

Like To Meet This Person"; place and date not given: "Old Soldiers Like Me Should Disappear")

[FBIS Translated Text] *Ichiro Ozawa, president of Shinshinto discusses in detail such topics ranging from his policies and political views to his private matters in his book, "Ichiro Ozawa Speaks Up" (published by [BUNGEI SHUNJU]), which has become the talk of the town. He has been labeled by the mass media as a "strongman" and a "dictator," projecting the image of a tough guy. Unexpectedly, however, he often showed his weak side in this interview.*

[Agawa] You recently published a book called "Speak Up," which is quite different in tone from your previous book, "Blueprinting for Building a New Japan."

[Ozawa] My previous book was full of theories and was tiresome to read. (Laughter) But, my recent book is written in a conversational style and easy to read. I thought it would be nice to talk about my private matters and memories, and so on.

[Agawa] Well, that is so.

[Ozawa] When you get older, you tend to live on your past memories, ha ha ha ha....

[Agawa] Getting older? You just turned 54 years old, didn't you?

[Ozawa] Yes, as a politician, I am physically young, but...I have been in this [political] world for 26 years already. I think it better for old soldiers to fade away.

[Agawa] Do you mean you are tired?

[Ozawa] Yes, one reason is that I am tired physically and mentally. Also, I am thinking that the Japanese society needs a revolutionary change, but that can be achieved only by the energy, flexible thinking, and action of young people. Truthfully, therefore, old soldiers should disappear.

[Agawa] Are you planning to pass your baton to young people?

[Ozawa] I already played the role of starting the momentum for breaking up the old structure and creating a new one, so for the rest, I am hoping that the future young generation will make some advancement.

[Agawa] Your being tired means that even though you are trying very hard to reform the political world, you cannot make your wish come true?

[Ozawa] Yes, that can be true sometimes. Things get quite absurd to the extent where I cannot stand them any longer. I get to the point beyond the level of being angry. In the final analysis, the public will decide our

destiny; and, if they think everything is alright, that will be it.

[Agawa] Then, you feel the same way toward the public?

[Ozawa] In that sense, I am disillusioned by them.

[Agawa] Do you feel like saying, "Why, even though I am trying very hard?"

[Ozawa] There is a famous line by an old gentleman from the Liberal Democratic Party [LDP]: "Things went well in the past. They are also going well right now. So, I believe they should go well in the future, as well." If everyone in this country thinks that way, I will not say anything—I will just disappear. To change things is a very hard thing to do.

[Agawa] When did you get disillusioned like that?

[Ozawa] When I left the LDP, I was still enthusiastic..., so, I became disillusioned after that. Anyway, there is no sense in my trying to do things alone, and I am getting tired of it. Ha ha ha.

[Agawa] Is it alright for you to show your weakness?

[Ozawa] I am always at feud with myself. When I get up in the morning, I sometimes feel like not going out, particularly to this kind of a place. Then, I feel like relaxing at home, taking care of my birds, or looking at my bonsai trees. Probably this is because I was ill before.

[Agawa] Like refusing to go to school?

[Ozawa] But, I cannot be like that in reality, so I go out. When I think about the many people who are supporting me, I cannot relax. The people in my hometown who supported me, 1,120,000 people who supported me in the election for a party chairman, and all other supporters nationwide—to them, I cannot say, "I am tired."

[Agawa] Then, you go out, get tired, come home, and want to take a day off the following day?

[Ozawa] Yes. I would like to lead an easy life with freedom.

[Agawa] Do you want to be completely cut off from the political world, not thinking about politics?

[Ozawa] If I could. But that is not possible, so I am trying hard every day. I will continue to work hard.

[Agawa] It must be painful to live each day with that state of mind, isn't it?

[Ozawa] It is painful. So, I enjoy most when I go abroad or when I go to some local district to campaign for a

candidate and to be with the general public. I least enjoy being in Nagata-cho.

[Agawa] You have no pleasure being there?

[Ozawa] No pleasure.

[Agawa] In Nagata-cho; you do not meet anybody who can relax you?

[Ozawa] Probably, I am getting impatient. Part of me is thinking that nothing can be done.

[Agawa] I am getting to feel like a therapist. (Laughter) Now, relax your mind....

[Ozawa] Ha ha ha ha ha.

[Agawa] How about the time late last year immediately after you became the chairman of Shinshinto?

[Ozawa] The same, always. But, unlike the secretary general, the chairman is not involved in administrative work. In that sense, my work is somewhat carefree.

[Agawa] But because a chairman has to appear in front of the public, don't you think it more tiresome?

[Ozawa] No. A secretary general has to take care of both—the outside and the behind-the-scene. In addition, he has to look after daily administration, so it is much tougher to be a secretary general.

[Agawa] That is so. Mr. Ozawa, I thought you would feel more comfortable being a secretary general or in some secondary position.

[Ozawa] Well, I grew up in a country in the Tohoku region, and I do not particularly like socializing. And, as I am lazy by nature, people say that I do not explain well enough, and so on. Nowadays, a party chairman is supposed to lead the pack and do some performance. As I am not very good at that, I always thought that somebody else should become our party chairman.

[Agawa] Now that you are a party chairman, do you receive requests from people within your party to do some performance?

[Ozawa] Yes, I do. I go out a lot these days. About once a week. But I do things my way.

[Agawa] How?

[Ozawa] Normally, in an election campaign, an executive official gives a speech in front of several thousand people for about 20 to 30 minutes and leaves there immediately after that. In my case, I speak for five to 10 minutes. Then, I personally meet the people there, and some of them say, "Wow, you look exactly like how you look on TV." (Laughter) I shake hands with them, take pictures with them, and say to them, "I will give my support." That is a human touch.

[Agawa] I see.

[Ozawa] As Japan is a sentimental society, whatever you say, the people will never accept you unless you establish a trusting, human relationship with them. I think it important to incorporate such a human touch in everyday political activities.

[Agawa] So, you do all that and feel personally, "The people understand me." Then, what happens when you cannot get your view across in general?

[Ozawa] I cannot personally meet all of the 120 million people. But I have been attacked and badmouthed a lot by the mass media. In a normal circumstance, I would not be able to win an election. Right?

[Agawa] That is right. Ha ha ha ha ha.

[Ozawa] But, fortunately, I have been elected constantly with overwhelming majority support. That is because the people in my home town and I have a human bondage and a trusting relationship. The more the mass media write something bad about me, the more....(Laughter)

[Agawa] Ha ha ha, the bondage gets stronger, you mean? When you read all those things written by the mass media, don't you get discouraged?

[Ozawa] Of course, I do not enjoy reading them. I am subject to that kind of stress, also. That is another reason why I get to feel that the whole thing is absurd. But, there are people in my hometown and all over the country who would say, "Whatever the mass media say about you, we trust you, Mr. Ozawa." So, I cannot get short-tempered.

[Agawa] Ever since you got elected for the first time, reportedly you have been proposing political reform. But Mr. Ozawa, you tend to get criticized mostly, don't you?

#### **If You Have Some Conviction, You Just Have To Create a New Party**

[Ozawa] Yes. I am proposing reform now because we live in an age that needs it. For Japan to coexist in the international community, political decisions should be based on clear policy guidelines submitted by the political leadership, not on sentiment. Otherwise, Japan will get a cold shoulder from other countries. In the Japanese society, however, those who assert themselves are ostracized. I am different because I say what I want to say.

[Agawa] Right now, Mr. Yukio Hatoyama and some people within your party, Shinshinto, are talking about



creating a new party or forming a merger of conservatives with conservatives.

[Ozawa] Well, I cannot talk too much about some particular people or my party's internal affairs. But politicians are representatives chosen by thousands of people. So, if they believe that they have to create a new party, they should just go ahead.

[Agawa] You do not mind that?

[Ozawa] I do not mind that at all. Everybody thinks that I am worried about it, but I am not. Politicians should act according to their conviction.

[Agawa] But do you not get angry when you see them wavering this way and that way?

[Ozawa] That is up to the public to discern. I have no reason to get angry. What is tragic is those people who voted for those politicians.

[Agawa] Do you think there will be another realignment of the political world?

[Ozawa] Probably so. In short, the political parties in Japan have always been groups based on human relations, not on policies or ideologies. Even the LDP has members who have completely different ways of thinking.

[Agawa] Really. I am shocked.

[Ozawa] That is because politics were not necessary during the postwar Cold War period. Japan had to do what the United States told it to do; it did not have to make any decisions. Politics did not exist then.

[Agawa] For 50 years?

[Ozawa] I would say that politics had not existed ever since the time of Takashi Hara. But I have always thought that this situation is not good—now that we are in the era that will not allow it to be that way. I am doing what I am doing. If politics existed, that kind of a foolish war would have never happened. The Japanese people do not learn lessons from history at all. If nothing is done now, Japan will be ruined. It will be another Carthage or Pompeii.

[Agawa] Please do not philosophize like that because you are still the chairman of an opposition party. (Laughter) It is often said that Mr. Ozawa tends to make cutting remarks about those whom you used to work with. But in "Speak Up," you say you have no recollections.

[Ozawa] In fact, I have that old sentiment of naniwabushi [that is, old Japanese songs about people caught between social moral obligations and natural human af-

fections]. I am emotional and tend to get carried away by sentimental reasons. I know that side of myself.

[Agawa] If I start crying now....

[Ozawa] Well, this interview will be over. Ha ha ha ha. But if politicians make political decisions emotionally, that will be a disaster. Look at what went on before the war. The political world should not be run by emotion because, if it is, the politics will go haywire. That is my belief.

[Agawa] But what if your belief is not understood?

[Ozawa] If people say that I am cold or do not care about them, I will say that they are in the emotional world. I would talk about politics any time and at any length even with those people who have opinions completely different from mine. But, when it comes to emotional things, I will deal with them after I resign from the political world. Then, I will keep company with them closely and emotionally. (Laughter)

[Agawa] By the way, Mr. Ozawa, how long did you live in Mizusawa in Iwate Prefecture?

[Ozawa] I lived there until my second year at a junior high school.

[Agawa] I have heard that you were an all-round athlete.

[Ozawa] Yes, yes. I was playing around.

[Agawa] Did you fight?

[Ozawa] Of course. Unlike today's children, we went outdoors as soon as the sun came up and stayed out until the sun went down.

[Agawa] Were you scolded?

[Ozawa] Yes, being scolded was like an everyday affair. (Laughter) Because it was backcountry, we used to steal persimmons and chestnuts from our neighbors and make a raid on a farm field. Then, we were chased by those people who were screaming. "Hey, you, little devils!" (Laughter)

[Agawa] Around that time, was your father already in the political world?

[Ozawa] Yes, he was in Tokyo and did not come home at all. So, I lived with my mother and elder sister, like a fatherless family.

[Agawa] Were you scolded by your mother, too?

[Ozawa] Yes. I was born when my mother was about 41 years old. So, I was almost like her grandson.

[Agawa] Almost like a grandson? (Laughter)

[Ozawa] When I was small, I used to be so rambunctious even when my mother was busy campaigning for an

election. So, she spanked me hard and tied me against a column. (Laughter)

[Agawa] How awful. (Laughter)

[Ozawa] My father was a politician back in the good old days. He worked, but he also played around a lot. Even so, my mother, being a woman from the Meiji era, told us, kids, about our father in a glorified way.

[Agawa] Great!

[Ozawa] My mother worked so hard; she was entrusted even with election campaigns. In addition to maternal and filial affection, therefore, I even felt sorry for her.

[Agawa] You felt pity for your mother.

[Ozawa] Yes. But my mother was a strong woman. I was influenced mostly by her.

[Agawa] What kind of influence did you receive from her?

[Ozawa] My mother was born in the Meiji era when people were plain, modest, sturdy, loyal, and patriotic. So, she taught me all those values, saying, "A man makes no excuse," "Once you make up your mind, you must resolutely follow through with it," and "A man should never complain." She was very strict about the way of life.

[Agawa] Do you remember being treated nicely?

[Ozawa] Of course, I do. Even after I entered an elementary school, I slept with my mother, touching her breasts.

[Agawa] Oh, no. (Laughter) How about teachings from your father?

[Ozawa] My father was a son of a poor farmer. He was sent out for apprenticeship even before he finished an elementary school education. While working, he became a lawyer and then a Dietman. So, he said, "I made myself without receiving anything from my parents. So, I will spend everything I earned. You should be on your own."

[Agawa] That is so.

[Ozawa] He did not think about his family at all. (Laughter) Though, I respect him as a man. My mother never complained about my father, but she was treated so badly.

[Agawa] How?

[Ozawa] He was a husband no women would put up with. He was like that even to me as a child. Starting with my third grade at junior high school, I lived with my father in a red-light district called Yushima. Back in those days, we did not have an air conditioner.

So, I studied for entrance examinations with my room windows open in the summer and could see my father playing with geisha girls in a room across the street, with windows wide open. (Laughter)

[Agawa] You had a spectacular view. (Laughter)

[Ozawa] I could not focus on my studies. (Laughter) So, I sent him a message, saying that I do not mind your playing, but it is so distracting to me; would you do that with your room windows closed? Then, he replied, "I got you." He closed the windows and continued to carry on. (Laughter)

[Agawa] So, that is why you did not pass an entrance examination twice.

[Ozawa] Ha ha ha, that is right. Those were good old days.

[Agawa] At that time, do you think your father wanted you, his only son, to follow in his steps?

[Ozawa] He may have toward the end of his life. But, he never said something like that to me.

[Agawa] Then, how did you know that he wanted you to become a politician?

[Ozawa] He made just one brief remark. I do not remember it exactly, but when the Diet building's red carpet was mentioned in some conversation and someone said that he would take me there to show it to me, my father said something like, "You will see the red carpet when you become a Dietman."

[Agawa] Last, I would like to ask you about current politics again. When you formed Shinshinto, you had to join hands with the Komeito to create one unified force. But I myself feel repulsive about this, and I think many people feel the same way.

[Ozawa] It is not that we could not create one unified force without the Komeito. Rather, because the members of the Komeito agreed with our reform objectives, we created Shinshinto. I cannot think of any reason to reject the people who agree with us and want to do things together.

[Agawa] Well, but, uji uji....

[Ozawa] Ha ha ha, what do you mean by uji uji? (Laughter) The Komeito was a party that most aggressively promoted political reform, or I should say, reform of the election system that was most disadvantageous to themselves. In that sense, I respect them highly. Of course, even some people within my supporters' association feel the same kind of repulsion you just mentioned.

[Agawa] I thought so!

[Ozawa] But, they promoted political reform as well as reform of the election system. They shared our view on reform. Therefore, we had to cooperate with each other without talking about our emotional likes or dislikes. (At this point, his secretary was sending us another signal to finish this interview.)

[Agawa] Well, time is running out just when we are having a good talk.

[Ozawa] Ha ha ha. We will talk again.

(Interview Format by Ikuko Shibaguchi)

**Thank You Note:** The Ozawa bashing seems to be intensifying again recently, and I am worried that you may finally refuse to attend the House. How have you been since our interview? I understand now why you look so annoyed on TV and in magazines. You probably want to go home as quickly as possible. When I saw you in person, I was almost disappointed to find you neither intimidating nor overpowering. You were warmhearted throughout, and your consistent viewpoints were extremely clear. Above all else, I was surprised to see the gentleness in your eyes that is completely different from the way you look at press interviews. In this world where there are so many dubious politicians, I wonder why only you should be attacked. When I said this, a friend of mine who belongs to the anti-Ozawa camp scowled and said, "You were really won over by him." I have decided to be won over by you for a while, so please do not give up yourself to despair, but continue to attain your objectives.

**Ichiro Ozawa:** Born in 1942 in Iwate Prefecture. Graduated from Keio University. Elected to the House of Representatives for the first time in 1969. After serving as Home Affairs minister, Deputy Chief Cabinet Secretary, Secretary General of the Liberal Democratic Party, and Secretary General of Shinshinto, became president of Shinshinto in December 1995.

**Japan: International Finance Bureau Head  
Sakakibara Interviewed**

962B0138A Tokyo GENDAI in Japanese Aug 96  
pp 102-109

(Interview with Eisuke Sakakibara, International Finance Bureau chief, by Soichiro Tahara, journalist; place and date not given: "Please Hear What We, the Bureaucrats, Have To Say Too")

[FBIS Translated Text]

**Why Did the Scandalous Incidents Happen?**

[Tahara] The bashing of bureaucrats by newspapers and magazines has been quite harsh these days. As a

bureaucrat in active service, what do you think about this bashing of bureaucrats?

[Sakakibara] The biggest problem about the current bureaucratic structure is that the system is vertically organized. It may sound immodest for me to say this, but everyone in this vertical structure is equally capable and not corrupted. Therefore, the issue is how to infuse a coordinating function. In the Meiji era, this function was probably performed by an elder statesman. Right after the war, it was performed by the occupation army. Subsequently, it was performed by Shigeru Yoshida, Hayato Ikeda, and Eisaku Sato.

[Tahara] Kakuei Tanaka also had a superb ability to coordinate. But, during this period, when there is no leader, who should play this role as a coordinator?

[Sakakibara] We must, therefore, carry out a structural reform. Some people are talking about breaking up the Ministry of Finance (MOF), but I believe that a true administrative reform is to integrate ministries and agencies.

[Tahara] To integrate?

[Sakakibara] In short, as there are too many ministries and agencies at this point in time, they should be integrated into seven or so. This suggestion has been voiced by the Sakigake and was also included in Prime Minister (Ryutaro) Hashimoto's vision statement. In the case of Japan, I believe it better to integrate ministries and agencies to make them more efficient.

[Tahara] A series of scandalous incidents occurred at the MOF. I would like to ask you about these.

At the time of the Recruit scandal, I once asked a MOF official what he thought about this scandal. Then, he said, "That is despicable. The Ministry of Education and the Ministry of Labor are third-rate after all. It is obvious that they should not have received that kind of a thing. In my ministry, the MOF, that should never happen." But then, the MOF had a series of scandalous incidents. How shall we explain this?

[Sakakibara] I personally know Nakajima (Yoshio, former deputy director at the Budget Bureau) quite well. He probably succumbed to the temptation. Seeing that the people around him outside the government were doing all kinds of things during the time of the bubble economy, he became involved. That was unfortunate for both him and the MOF, I think.

[Tahara] When such an incident occurs as an isolated case, I think it can be called unfortunate. But when such incidents occurred in a multiple number and involved several people with their names undisclosed, I must say that something is wrong with the MOF.



[Sakakibara] Honestly speaking, the society as a whole became odd during that time. I think just one case involved acceptance of money. But I believe there were some cases of excessive entertainment.

#### **The Beginning of a Major Change**

[Tahara] Speaking of something odd, the international situation is also quite unusual. In the presidential election in Russia, Yeltsin fought against heavy odds, and Prime Minister Peres in Israel was not reelected. As the Cold War ended, one direction was supposed to be clearly evident in the post Cold War period, that is, democratization, reform, U.S.-style free competition, an open economy, and peace. Recently, however, the order based on these values is beginning to turn upside down. How do you analyze the current situation?

[Sakakibara] Socialism died out in a sense, but I think it has become clear that capitalism with an extreme level of laissez-faire (noninterference) does not function well either. Typical examples are Russia and Eastern Europe.

[Tahara] In Eastern Europe, communism and their communist parties are all revived.

[Sakakibara] Yes. And, in Asia, Myanmar's future is very uncertain. Free nations after the Cold War are probably hoping that Aun Sun Soo Chi [as transliterated] will gain power. But something contrary seems to be happening now.

[Tahara] That means a collapse of the mechanism to create order that has been led by the United States, which became the world leader in the post Cold War era, does it not?

[Sakakibara] In my own words, I would say that mass-consumerism, which is based on mass-production, mass-consumption, and mass-waste, has come to a bitter end.

French Prime Minister Chirac has recently begun to talk about the light and shadow of globalization. European people began to say, "If we do not pay attention to the darker side of globalization, such as environmental issues, gaps in terms of assets and income, and crimes, for example, international politics and economies will not function very well in the future." I believe this is an epoch-making thought.

In fact, I think that the end of the Cold War is the beginning of a major change in ways of thinking, such as progressivism of the past 200 years.

#### **Risky Sides of Those Who Are Talking About "Reform"**

[Tahara] What, then, is progressivism that you criticize in your recently published book "A Farewell to Progressivism: Crimes of Those Who Subscribe to the Japan-as-Different Theory"?

[Sakakibara] Progressivism is a concept that world communities are developing linearly toward some ideal model; that is, a communist society in the case of socialism and communism and an extremely free, market-oriented economy in the case of a U.S.-style democracy. This expression was first used by Yasuaki Murakami.

According to this concept, the former Soviet Union and the United States were the leading, advanced countries for the two groups, respectively. Other countries were ranked in order as developing countries or underdeveloped countries. Japan was somewhere in between.

Here, the Japanese intellectuals whom I criticized are saying that we must reform Japan somehow and make it a more advanced country.

[Tahara] Mr. (Kenichi) Omae, Mr. (Taichi) Sakaiya, and Mr. (Taro) Yamaya are, therefore, saying that Japan is a backward country and that it should be made into a more market-oriented democracy. Are they wrong?

[Sakakibara] Yes, they are wrong. The reason for my saying so is that not all societies will become a U.S.-type society or a Russian-type society. Speaking in Buddhist terms, everything probably moves in a circle. Rather than progressing, history could be a series of circling events.

[Tahara] I see. Therefore, when we thought that the communist party was collapsed in Russia, it is coming back to life again.

[Sakakibara] That is right. An ultimate objective may take various forms. Therefore, I think the destination for Japan and that for Myanmar are probably different.

[Tahara] The world is not heading toward one objective? Wait a second, please. Are you, then, saying that it is wrong to say that Japan is backward so that it needs to aggressively pursue liberalization and deregulation in an aim to become a market-oriented democracy typified by the United States and so on? If so, to which direction and in what way should we proceed?

[Sakakibara] Therefore, I am saying that the era devoid of an objective is the end of the 21st century, and now is the time when we once again have to search for a new objective for the 21st century.

[Tahara] Mr. Sakakibara, you once wrote that Japan is beyond capitalism and that, in a sense, Japan excels the United States.

[Sakakibara] I believe that the system in Japan has quite a few elements that are better than those in the

United States. One of the reasons for the resurgence of the U.S. economy is that they adopted some of these Japanese elements. For example, Japan's Keiretsu system was introduced, and employees' loyalty was enhanced through an increase in employment benefits and welfare.

[Tahara] Then, are you saying that Mr. Omae and Mr. Sakaiya, who are saying, "Japan is wrong," are dangerous opinion leaders?

[Sakakibara] Labeling them as "dangerous" would be impolite to them, but I still believe that they are basically wrong. Furthermore, they are trying to destroy everything in existence for the sake of reform. But, if you destroy everything, you will eventually see something like what happened in Russia. In Russia, every piece of the old order was destroyed, but nothing new has emerged. Now, the country is very much in chaos.

I believe, therefore, that there are many aspects in Japan that need to be changed, but we must discuss in a more organized manner how to change these aspects. Talking about reform has become a fashionable thing to do. That is extremely dangerous.

#### Japan Is Not "Different"

[Tahara] Let us talk about the bureaucratic system. Mr. Yukio Noguchi is talking about the 1940 structure. In other words, he says that the current social system in Japan, particularly the bureaucratic structure, was created in 1940 during the time of all-out war and has been carried over intact up to now. Then, he says that this very system has begun to show its internal contradictions and is beginning to collapse. Mr. Sakakibara, you also made a similar argument before.

[Sakakibara] But my opinion has changed. As I studied further, I have come to believe that the bureaucratic structure in Japan has probably been continuing since the time of the Great Reform [of the year 645]. Also, the original form of the current bureaucratic structure was largely created in the Edo period.

Therefore, it was not created during the time of all-out war. The bureaucratic structure has been in existence since the time when Japan became a nation, even though its form has changed considerably with the times.

[Tahara] But within this social system, the financial system, for example, was created under the condition of the all-out war, was it not?

[Sakakibara] In the era from 1940 to 1960 and to about 1970, financial movements in the world were quite regulated. Therefore, if you take Japan as an example, it was certainly a fact that financial transactions were

regulated. Entering the 1970's and 1980's, finance was once again liberalized. Right now, Japan is a little bit behind in this trend.

But I do not think it is right to equate this to the Japan-as-different theory, saying that Japan is different from [other countries] in the world. The "theory of a 1940 structure-type difference," which Mr. Noguchi and I advocated, is one variation of the above theory, but I now believe it was wrong.

What I want to say is, what is happening in Japan is part of a larger trend in the world, and this is nothing special. It is wrong to think that things Japanese are different.

#### Reasons for Opposing Deregulation

[Tahara] The bureaucratic system in Japan tries somehow or other not to let a company go bankrupt. Therefore, it does not let free competition flourish in the true sense of the term. It has also added regulations on top of this. The reverse side of regulation is protection, and Japan has been run so far by a big government, so to speak, with public offices taking care of minute things. But, now that we entered the era of megacompetition (global-scale big competition), the system is no longer appropriate. Therefore, some people say that we should change it to a small government, which will not interfere or intervene. What do you think about this opinion?

[Sakakibara] When it comes to a choice between a big and a small government, we must consider not only regulation but also welfare. Returning to what we discussed earlier, when the dark side of globalization has reached this extent, can we scrimp on such things as welfare and protection of the people? I am not saying that we should continue to have a big government; but, if we drastically change it to a small government where the survival of the fittest will be the norm, I do not think our social system will endure that.

For example, if those things that are happening in U.S. cities happen in Japan now, the Japanese people will not remain silent.

[Tahara] That is exactly what I am talking about. In fact, nothing like what is happening in the United States is happening [in Japan]. Therefore, Japan still has a big government. Are you threatening by saying what we shall do if we become like the United States?

[Sakakibara] No, that is not true.

[Tahara] Mr. Masataka Kosaka once said to me as follows: "Roughly speaking, we will have either a coldhearted, light tax party or a kind, heavy tax party in the future." A coldhearted, light tax party is cruel

and uncaring, but it imposes less tax. A kind, heavy tax party is caring and, of course, taking good care of welfare, but it imposes heavy taxes.

So far, Japanese politicians have been all saying that they belong to a kind, light tax camp. They were able to say that because the Japanese economy was growing steadily. They said, "We will take care of you and will reduce your tax burdens." But, the growth has stopped, and they cannot say that now. Which party do you think we will have from now on?

[Sakakibara] Honestly speaking, we will see coldheartedness and heavy taxes. For the general public, the society will become extremely severe. But, as we will still have to look after them to a certain extent, we will have to impose heavy taxes. In terms of size, the government will be midsize. From the end of this century to the 21st century will probably be a terrible era.

[Tahara] Because we are entering a terrible era, the society needs to have vitality. To gain vitality, we must deregulate courageously to introduce free competition. This kind of an opinion is getting stronger. Is this opinion wrong?

[Sakakibara] If we become completely cruel and create companies where the employees have no idea of when they are going to be fired, will these companies gain vitality?

What they are saying now is that, if we do all that, we will generate vitality. Of course, Bill Gates and some limited number of owners of venture businesses may be able to gain vitality. But that does not necessarily mean that vitality will be generated for corporations, or that the society as a whole will become vitalized.

There is another point I would like to add. Japan is entering an aging society. Therefore, I think it necessary to have some sort of maturity. Creative distraction needs to be curtailed soon, I think.

[Tahara] No, no. According to progressivism, there has been no destruction, yet.

[Sakakibara] But, there is no country like Japan that has changed so many things at such a fast speed. For example, the lives of the general public in England have not changed much over the past 200 years.

[Tahara] Corporations have to deal with a threat of bankruptcy, so they try desperately to change things. The only thing that does not change seems to be the bureaucratic system. So, the bashing intensifies.

[Sakakibara] Well, we cannot let the country go bankrupt. I think it wrong to apply the same logic equally to the bureaucratic organization and a corpo-

ration. After all, politics as well as administration are public services; we must think about public affairs. I think corporations should also be a little more public-minded, but in Japan it is considered enough for them to think only about making money. We cannot apply this logic to national affairs.

The number one problem in Japan now is that the entire nation has become economic-oriented, thinking that everything is fine as long as it makes economic sense. But, if that leads to destruction of regional communities and cultures, that will be irreversible.

It is all right for corporations to have an extreme sense of economic orientation. But, the current society wants to judge everything according to this standard, so do today's leading intellectuals.

I think this is odd. I think this is due to a lack of study. As they study only economics and management, they tend to think like that. I would like to ask them to "study history a little bit more."

#### The Press Club System Should Be Abolished

[Tahara] One of the major reasons why the people are dissatisfied with governmental offices is that these offices are not transparent. Japan is called a secretive nation, but its governmental offices are the prime example of this secretiveness.

[Sakakibara] I understand. We are planning to make our offices transparent, also. But, the governmental offices are not the only ones that do not disclose information. I think that the entire Japan is built on a system that is difficult to disclose information.

[Tahara] But, in the case of Daiwa Bank's scandal, the MOF is said to have instructed Daiwa Bank to conceal information.

[Sakakibara] That is not true.

People say one-sidedly that the governmental offices are backward in terms of information disclosure. However, I am sorry to say this to you, Mr. Tahara, but I think this problem is mostly due to the mass media in Japan.

I believe that Japan's mass media is protected by the Japanese language as a barrier and that it is a very uncompetitive industry. Speaking of the issue of information disclosure, for example, I think it absolutely necessary to abolish the press club system, which is making information very nontransparent.

[Tahara] This is exactly the case of a close relationship with the bureaucratic system.

[Sakakibara] No, no. It is a close relationship with bureaucrats, or bureaucrats may be trying to have a close



relationship with the mass media. Even corporations are having a close relationship with the press club.

There is another problem. It is difficult to report facts as facts in Japan's speech circuits. That is because, unlike in Europe and the United States, the public opinion often tends to be swayed to one side, making it difficult to argue in opposition.

[Tahara] The reason why such one-sided information is distributed is that such information is welcomed by general readers and TV viewers. Then, you might wonder if their [intellectual] level is low, but it is not. They just do not have true information.

[Sakakibara] Therefore, true information should be distributed.

[Tahara] That is right. But, then, if such information is disclosed, they will say, "The mass media is lying." For instance, I wish they will come to my TV show. I would invite officials from the MOF to my show, but they would never accept such an invitation.

[Sakakibara] But, if you try to invite people from Takashimaya [a department store] right now, they will never come to your show either.

Relatively speaking, I am asking the people at the MOF, "Go out [and speak up] as much as possible." Compared to the past, I think MOF bureaucrats are out talking more. At the time of the Jusen issue, Nakai (Akira, a counselor) came out and spoke quite often.

[Tahara] I am sure they are earning points. But Mr. Nakai is also choosy about people. (Laughter) He says he does not like so and so, for example.

[Sakakibara] I guess he is not as bad as Mr. Ichiro Ozawa. (Laughter)

I am not trying to defend bureaucrats, but the problems that are being talked about now will not be solved by bashing bureaucrats alone. I would like to say, let us have truly openminded discussions. Let us tap each other's ideas by having thorough discussions. But in doing so, we should not get too emotional.

**Postscript on the Interview:** Once there was a rumor that Sakakibara was planning to become a politician, following Koji Kakizawa. I am sure he himself vacillated considerably in making this decision. I still remember vividly what a former MOF bureaucrat, who is senior to both of them, said: "Kakizawa seems to be saying what he wants to say, but he already took the poison out of his speech. On the other hand, Sakakibara uses words with poison that actually pierce through the listener. Therefore, he should not become a politician." Sakakibara's "poison" is still "alive and well." Unlike a bureaucrat,

he does not hesitate to speak what is on his mind. Of course, because of this trait, I value Sakakibara highly.

**Eisuke Sakakibara:** Born in Tokyo in 1941. Graduated from Tokyo University's Economics Department. Joined the Ministry of Finance and earned a Ph.D. degree from the University of Michigan. He is currently serving as director of the International Finance Bureau. Last summer, he successfully redressed the strong yen and was named "Mr. Yen" by the U.S. mass media.

#### **Japan: Ministries To Launch Optical Fiber Cable Experiment**

OW2708152096 Tokyo *NIHON KEIZAI SHIMBUN* in Japanese 26 Aug 96 Morning Edition p 1

[FBIS Translated Text] The Ministry of Construction [MOC] and Ministry of Posts and Telecommunications [MOPT] will launch an experiment to put a fiber optic network — which has the largest capacity in Japan — to practical use in cooperation with Nippon Telegraph and Television Corp. [NTT] and other private companies in September. As the first phase, they plan to lay optic fiber, whose transmission capacity is more than 100 times greater than current technology, in Marunouchi, Tokyo, to study the new usage possibility, such as sending images or holding television conferences. A high-speed communications network directly connects to communications networks all over the world via Internet providers. Since this network will enable transmitting a large quantity of data, such as motion pictures, it is expected that a communications-related demand from corporations will drastically grow and that business will expand.

The existing communications network's transmission speed slows when dynamic image information, which has a huge amount of data, is sent and many users access the network at one time. There is concern that the delay in improving the information infrastructure will lead to the hollowing out [kudoka] of cities. Given this situation, a fiber optic network is required to be put to practical use to meet next-generation communications demands.

To launch the experiment, NTT and other firms will install a core optic cable with throughput of 2.4 gigabits (one gig corresponding to 100 million) per second, and hook up access lines offering 155 megabits capacity at the largest.

NTT's existing public lines have only a 6-megabit capacity and access lines — for which firms have contracted with NTT — have a 1.5-megabit capacity. In comparison, the optic fiber cable, which will be used in the experiment, can handle 114 times the

throughput of existing cables. As for access lines with corporations, the capacity is almost equal to that of the U.S. information super highway network.

The MOC has already constructed a multipurpose electric wire duct under a principal national highway in Marunouchi District. It plans to lay a core optic cable there. The MOC also plans to help corporations with part of the cost for hooking up access lines. It intends to set a low fee for core optic cable usage.

The MOC and MOPT plan to set up a government-private sector council as early as September to prepare for the experiment in putting a fiber optic network to practical use. More than 10 companies — including NTT, Tokyo Telecommunication Network Co. (TTNet), Teleway Japan Corp., Internet Initiative Japan (IIJ), Mitsubishi Estate Co., Bank of Tokyo-Mitsubishi, Mitsubishi Corp., and Tokyo Electric Power Co. — are expected to participate in the council. The Tokyo Metropolitan Government and Chiyoda Ward authorities will also join in.

The construction of the optical fiber cable network with extremely high throughput will help popularize the videophone, the television conference, and electric mail that contains sound and pictures. It will eventually enable the creation of an advanced image processing database, multimedia broadcast service, and automatic building control and management system.

The massive amount of data will be exchanged among Japan, the United States, and Europe through providers. Immediate processing will become possible for graphic information from the United States and Europe, which has been difficult to handle at high speed due to insufficient network capacity at home. The MOC and MOPT intend to study the expansion of test areas to the Keihanshin District after surveying the usage of the new network by companies taking part in this experiment.

### Mongolia

#### Mongolia: Government To Reorganize Embassies, Change Passport Regime

*LD2708102796 Ulaanbaatar Radio Ulaanbaatar in Russia 1330 GMT 26 Aug 96*

[FBIS Translated Text] The Ministry of Foreign Affairs of Mongolia intends to make changes in its representative offices abroad. It is proposed to close the embassies of Mongolia in some countries, including in Bulgaria, Romania, and Ukraine, and to reorganize the embassies in Poland, the Czech Republic, and perhaps (in neighboring countries). New embassies will be opened in Turkey, Thailand, and in other countries. A number of heads of missions in foreign states will be recalled in line with the domestic political changes in Mongolia.

Tair Kul [name as heard], director of the unified policy department of the Ministry of Foreign Affairs, said this in an interview with a Mongolian television reporter.

The head of the ministry's press service, [name indistinct], who was also taking part in the television program, pointed out the need to change the passport regime for Mongolian citizens. He said it was expedient to introduce the practice of issuing citizens one passport, as is the practice in the majority of countries, instead of two — one internal and one foreign passport. The head of the Foreign Ministry press service also reported that the ministry intends to adhere to the policy of visa-free exchange of citizens with some countries.

### North Korea

#### DPRK: KCNA Cites ROK Radio on U.S. Flagship's Visit to Pusan Port

*SK2808032296 Pyongyang KCNA in English 0307 GMT 28 Aug 96 — Official DPRK news agency*

[FBIS Transcribed Text] Pyongyang, August 28 (KCNA) — The flagship of the U.S. Seventh Fleet "Blue Ridge" anchored at Pusan port on August 27, according to a radio report from Seoul.

The purpose of its visit is to "increase the capacity of joint operations and tighten bonds" between navies of South Korea and the United States.

Synchronizing with the "Ulchi" war exercises in South Korea, the visit reveals that the U.S. imperialists and the South Korean puppets are stepping up preparations for a war against the North [words indistinct] the situation on the Korean peninsula more strained.

It was reported that during its three-day stay in South Korea, the commander of the Seventh Fleet would invite chiefs of major organs in Pusan and commanders of various units of the three services of the puppet army to the ship and lay stress on the "importance of Pusan port in case of emergency."

People are watching and criticizing the frantic war preparations of the U.S. imperialists and the South Korean puppets.

#### DPRK: Students Meet To Denounce ROK's 'Suppression' of Students

*SK2708084196 Pyongyang KCNA in English 0822 GMT 27 Aug 96 — Official DPRK news agency*

[FBIS Transcribed Text] Pyongyang, August 27 (KCNA) — Meetings of students were held at Kim Hyong-chik University of Education, Kim Chaek University of Technology and Pyongyang University of

Medicine in denunciation of the Kim Yong-sam fascist clique's brutal suppression of South Korean students.

At the meetings speakers bitterly denounced the Kim Yong-sam fascist clique's ruthless suppression of the students under the South Korean Federation of University Student Councils [Hanchongnyon] who held a grand reunification festival, calling for national reunification, the cherished desire of the nation, as an open challenge to the desire for national reconciliation, unity and reunification.

They said that the Kim Yong-sam fascist clique should be held responsible for the criminal, bloody August 15 violence, make an apology to the nation and stand a trial of history of their own accord, before they meet a more miserable end than the preceding military dictators.

They called upon the South Korean students and people to carry forward the spirit of the August 15 struggle for reunification, overthrow the traitor Kim Yong-sam, the heinous enemy of reunification, and fight stubbornly for national reconciliation and reunification.

**DPRK: Cuban Embassy Officials Help Peasants in Maize Harvesting**

SK2708051296 *Pyongyang KCNA in English*  
0441 GMT 27 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Pyongyang, August 27 (KCNA) — Cuban Ambassador to Korea Jose Ramon Rodriguez Varona and his embassy officials had a friendship labour on the Korea-Cuba Friendship Hwasong Co-op Farm Monday to mark the 36th anniversary of the establishment of diplomatic relations between the two countries.

They helped the peasants in maize harvesting there and conversed with them at the breaktime, deepening feelings of friendship.

**DPRK: Public Health Minister Greets Guinean Government Delegation**

SK2708112896 *Pyongyang KCNA in English*  
1101 GMT 27 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Pyongyang, August 27 (KCNA) — A Guinean government delegation led by Kandjoura Drame, minister of public health of Guinea, arrived here today.

The delegation was greeted at the airport by Kim Su-hak, minister of public health, and other officials concerned.

The DPRK government gave a reception for the delegation in the evening.

**DPRK: Guinean Guests Lay Basket Before Statue of Kim Il-song**

SK2808034296 *Pyongyang KCNA in English*  
0302 GMT 28 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Pyongyang, August 28 (KCNA) — A Guinean Government delegation led by Minister of Public Health Kandjoura Drame [spelling of name as received] visited the statue of the great leader President Kim Il-song on Mansu Hill Tuesday [27 August].

The delegation laid a floral basket and made bows before the statue.

**DPRK: Delegation Leaves for Information Conference in Nigeria**

SK2708084496 *Pyongyang KCNA in English*  
0819 GMT 27 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Pyongyang, August 27 (KCNA) — A DPRK delegation led by Kim Chol-myong, chairman of the Information Committee of the Democratic People's Republic of Korea, left here today to participate in the 5th conference of information ministers of non-aligned countries, which will be held in Nigeria.

The delegation was seen off at the airport by Song Pong-sun, vice-chairman of the Information Committee of the DPRK, and Nigerian Ambassador to Korea Olugbenga Ayodeji Ashiru.

**DPRK: Senior Party Officials Attend PLA Troupe Performance**

SK2808034196 *Pyongyang KCNA in English*  
0313 GMT 28 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Pyongyang, August 28 (KCNA) — Senior party and government officials of Korea appreciated an art performance of the song and dance ensemble of the Chinese People's Liberation Army [CPLA] at the April 25 House of Culture on August 27.

It was appreciated by Vice-President Yi Chong-ok, minister of the People's Armed Forces Choe Kwang and Vice-Premier Kim Yong-sam, who are members of the Political Bureau of the Central Committee of the Workers' Party of Korea, other senior Korean officials, leading officials of the CPLA Song and Dance Ensemble, Chinese Ambassador to Korea Qiao Zonghuai and his embassy officials and working people and artists in Pyongyang.

In Chinese songs and dances, the Chinese artists represented on an excellent artistic level the worthwhile



endeavours of the Chinese people and officers and men of the CPLA to build socialism with Chinese characteristics under the leadership of the Communist Party of China.

They sang Korean songs including the male chorus "The Dear Leader Is Always With Us", the female solo "Kimchongilia" and the male solo "The Leader Visited Our Post", leaving deep impressions on the audience.

Their performance powerfully demonstrated the militant friendship and unity between the peoples and armies of the two countries, who will always be brothers and comrades-in-arms in the common cause for socialism against imperialism.

#### **DPRK: Foreign Delegations Arrive for Youth Day Celebrations**

*SK2708112596 Pyongyang KCNA in English*  
1033 GMT 27 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Pyongyang, August 27 (KCNA) — A delegation of the youth league of the Zimbabwe African National Union-Patriotic Front, a delegate of the Japan League of Socialist Youth and a delegate of the Ho Chi Minh Communist Youth Union of Vietnam arrived here today to participate in celebrations of the fifth Youth Day.

They were met at the airport by Yi Chan, secretary of the Central Committee of the Kim Il-song Socialist Youth League.

A delegate of the Young Communist League of Russia also came here today.

#### **DPRK: KCNA Cites Youth's Contributions to Country**

*SK2708082796 Pyongyang KCNA in English*  
0800 GMT 27 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Pyongyang, August 27 (KCNA) — August 28 is the fifth anniversary of the Youth Day in Korea.

To significantly greet their holiday, the young men and women of Korea are making achievements in various domains of economic construction.

They produced an electric locomotive "fifth anniversary of youth day" and a streetcar "youth vanguard".

In a little more than the first seven months of this year, they completed more than 100 projects including those of big and small coal mines, power stations, factories, reservoirs and waterways.

Young men and women of Korea have completed several hundred projects over the past five years since the Youth Day was instituted.

They have also distinguished themselves in introducing 400-odd-kilometre electric traction between Pyongsan and Kaesong, between Hamhung, Sinhung and Lake Pujon and between Hoeryong and Haksong.

Many young people volunteered difficult duties in socialist construction with the determination to devote their youthful wisdom and ardour to the implementation of the revolutionary economic strategy of the Workers' Party of Korea.

In the past five years, more than 10,000 young people volunteered to work at the rural communities and coal and ore mines and are playing a pivotal role.

#### **DPRK: Kim Chung-nin Attends Youth Day Presentation Ceremony**

*SK2708095696 Pyongyang KCNA in English*  
0915 GMT 27 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Pyongyang, August 27 (KCNA) — The members of the Kim Il-song Socialist Youth League and schoolchildren made two electric locomotives "commemorative of fifth youth day" and four streetcars "young vanguard" to mark the fifth Youth Day. [words indistinct] true to the intentions of the great leader Comrade Kim Chong-il to develop the nation's rail transport and provide the people with better traffic conditions, made them in a short period through the movement of youth shock brigades, socialist emulation and technical innovation.

The presentation ceremony took place here today.

It was attended by secretary of the Workers' Party of Korea Central Committee Kim Chung-nin, officials concerned, youths and students in the city.

A report was delivered at the ceremony by Choe Yong-hae, first secretary of the Youth League Central Committee.

Notes of presentation were handed to officials concerned.

#### **DPRK: Central Committee Officials Attend National Youths Meeting**

*SK2708123996 Pyongyang KCNA in English*  
1216 GMT 27 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Pyongyang, August 27 (KCNA) — A national meeting of youths was held at the Kumsusan Memorial Palace Square today to pledge to remain faithful to the leadership of the respected General Kim Chong-il, as wished by the great leader President Kim Il-song: On the occasion of the fifth Youth Day.

Attending the meeting with youths and students were Kye Ung-tae, member of the Political Bureau and secretary of the Workers' Party of Korea (WPK) Central Committee, Choe Tae-pil, alternate Politburo member and secretary of the WPK Central Committee, and other officials.

Choe Yong-hae, first secretary of the Kim Il-song Socialist Youth League Central Committee, delivered a report and representatives of youths and students [words indistinct].

They said the great leaders Comrade Kim Il-song and Comrade Kim Chong-il had expounded chuche-based, original ideas and theories [word indistinct] youth movement, wisely led the Korean youth movement along the road of victory and glory and successfully reared young men and women to be a powerful unit of the revolution and successors to the cause of socialism.

They also said General Kim Chong-il published the celebrated work "Let Us Exalt the Brilliance of Comrade Kim Il-song's Idea on the Youth Movement and the Achievements Made Under His Leadership" to mark the fifth Youth Day, inspiring the youth league members and other young people.

They vowed to learn from the loyalty of the first and second generations of the revolution to the leader and become fortresses, shields, rifles and bombs in absolutely trusting in and defending general Kim Chong-il.

They called on all the youths to value and love socialism, the life and soul of the Korean people, more than any other things and resolutely smash the moves of the imperialists and reactionaries against socialism.

#### **DPRK: Central Committee Official Attends Party on Youth Day Anniversary**

SK2808033196 *Pyongyang KCNA in English*  
0309 GMT 28 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Pyongyang, August 28 (KCNA) — The Central Committee of the Kim Il-song Socialist Youth League (KISSYL) gave a party on the occasion of the 5th anniversary of Youth Day on August 27.

Invited to the party were the visiting delegation of the Ministry of Youth Affairs of Pakistan led by its Minister Ch. Nouroz Shakoor Khan and other foreign delegation and delegates to [words indistinct] anniversary.

Present there were Choe Yong-hae, first secretary of the Central Committee of the Kim Il-song Socialist Youth League, and other officials concerned.

Speeches were exchanged at the party.

#### **DPRK: Young Soldiers Hold Concerts To Mark Youth Day Anniversary**

SK2808033996 *Pyongyang KCNA in English*  
0315 GMT 28 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Pyongyang, August 28 (KCNA) — Young soldiers of the three services of the [words indistinct] Army had concerts of loyal songs on August 27 on the occasion of the 5th anniversary of Youth Day.

At the concerts young soldiers made a pledge to defend hoe headquarters of the Korean revolution led by the respected Supreme Commander Comrade Kim Chong-il at the risk of their lives as wished by the great leader President Kim Il-song, singing "We will defend the headquarters of the revolution" in chorus and chanting "Kim Chong-il", "Devoted defence" and "Hurrah".

The concerts fully demonstrated the firm conviction and loyal determination of the young Korean soldiers to support the party and the leader with arms and reliably defend the chuche revolutionary cause, socialism, under the supreme commander flag, the banner of victory.

An evening of the youth vanguard of the Ministry of Public Security took place on Tuesday to mark the anniversary.

#### **DPRK: Youth, Students Pay Respects to Kim Il-song for Youth Day**

SK2808034096 *Pyongyang KCNA in English*  
0301 GMT 28 Aug 96 — Official DPRK news agency

[FBIS Transcribed text] Pyongyang, August 28 (KCNA) — Officials of the Youth League and youths and students visited the Kumsusan Memorial Palace Tuesday [27 August] to pay homage to the great leader President Kim Il-song on the occasion of the fifth anniversary of the youth day.

They expressed deep respects before the statue of President Kim Il-song before making bows to him who is preserved in state at the palace.

They also saw round a passenger car used by the president for on-site guidance and foreign trips and a car used by him during the last period of his lifetime.

And they vowed to carry out to the letter the highly important tasks which the great leader Comrade Kim Chong-il set forth in his historic work "Let Us Exalt the Brilliance of Comrade Kim Il-song's Idea on the Youth Movement and the Achievements Made Under His Leadership" published to mark the fifth youth day, and demonstrating the honor of being reliable youth vanguard of the Workers' Party of Korea.

**DPRK: Central Committee Official Meets Foreign Youth Delegates 27 Aug***SK2808034396 Pyongyang KCNA in English  
0305 GMT 28 Aug 96 — Official DPRK news agency*

[FBIS Transcribed Text] Pyongyang, August 28 (KCNA) — Hwang Chang-yop, secretary of the Workers' Party of Korea Central Committee, met and had a friendly talk at the Mansudae Assembly Hall Tuesday [27 August] with heads of delegations and delegates from different countries who are staying in Korea to participate in the celebrations of the fifth anniversary of the Youth Day.

Among the guests were heads of the Pakistani delegation of the Ministry of Youth Affairs and the delegation of the Communist Youth League of China and delegates of the Union of the Young Communists of Cuba and the Communist Youth League of Russia.

At the meeting, they said they were deeply moved to see the achievements the Korean people have made in building socialism under the wise leadership of the great President Kim Il-song and the respected Comrade Kim Chong-il, and expressed full support to and solidarity with the Korean people in their struggle for national reunification.

They declared that they will further promote friendship and solidarity with the progressive youths of the world and that the youth will play their vanguard role in building an independent and creative, new world.

**DPRK: Meeting Marks Anniversary of Kim Chong-il Letter to Youth***SK2708083296 Pyongyang KCNA in English  
0808 GMT 27 Aug 96 — Official DPRK news agency*

[FBIS Transcribed Text] Pyongyang, August 27 (KCNA) — A meeting was held in Pyongyang on August 26 to mark the fifth anniversary of the publication of "Young Men and Women, Be the Vanguard Unfailingly Loyal To the Party and the Leader", a letter sent by the great leader Comrade Kim Chong-il to the young people throughout the country and the workers of the League of Socialist Working Youth of Korea on the occasion of the first Youth Day.

It was attended by Vice-President Yi Chong-ok, member of the Political Bureau of the Central Committee of the Workers' Party of Korea, party and state cadres, officials concerned, workers of the Youth League in Pyongyang and young people and students.

Choe Yong-hae, first secretary of the Central Committee of the Kim Il-song Socialist Youth League, delivered a report at the meeting.

The reporter said that the historic letter of Comrade Kim Chong-il is an encyclopedic textbook for the youth work which gave comprehensive answers to all theoretical and practical matters arising in correctly solving the youth question and in triumphantly advancing the communist youth movement and a highly important guideline which must be held fast to in the solution of the youth movement, the youth question.

The letter is run through with the idea that all the young men and women should prepare themselves to be dependable youth vanguard of the party, which resolutely defends and exalts Korean-style socialism centred on the popular masses under the leadership of the party and the leader and accomplishes the revolutionary cause of chuche generation after generation.

The reporter stressed that the historic letter is a true textbook for the revolution, an undying militant banner which must be taken by the young people and the progressives as a permanent guideline not only in the Korean youth movement but also in realizing the people's cause of independence.

**DPRK: KCNA Reviews 27 Aug Pyongyang Press***SK2708085796 Pyongyang KCNA in English  
0828 GMT 27 Aug 96 — Official DPRK news agency*

[Press review]

[FBIS Transcribed Text] Pyongyang, August 27 (KCNA) — Papers here today frontpage a report that the great leader Comrade Kim Chong-il sent thanks to the Pyongwon Export Garment Factory in South Pyongan Province for setting an example in education of people in the greatness of the party and the leader and in production, to the Nampo office of the Korean Foreign Ship Affairs Company for overfulfilling their plan every year and to the North Pyongan Provincial Maternity Hospital for laying its solid material and technological foundations by their own efforts and curing patients well.

Rounded up in NODONG SINMUN are voices of South Korean youth and world public praising Comrade Kim Chong-il as a distinguished leader of the youth movement of our era, a peerless great man who set a world example in the movement.

The paper conveys news that "With the Century", the reminiscences of the great leader President Kim Il-song, was disseminated and studied in Egypt.

Papers give an account of a meeting held here to mark the fifth anniversary of the publication of Comrade Kim Chong-il's classic work "Young Men and Women, Be the Vanguard Unfailingly Loyal To the Party and the Leader".



NODONG SINMUN comes out with an article headlined "Great Man With Noble Human Love and Emotion", which says Comrade Kim Chong-il is a man with warm human love, moral sense of obligation and emotion.

The Kim Yong-sam fascist clique's bestial suppression of South Korean students was under fire at home and abroad, says the press.

According to the press, teachers and students of various universities in Pyongyang and artistes in Kaesong consoled hunger strikers in Panmunjom and solidarity messages were sent to them by student committees of universities in the northern half of Korea, the Korean Youth League in Japan and other youth organisations.

The press comments on the traitor Kim Yong-sam's attempt to crack down on and obliterate the South Korean Federation of University Student Councils (Hanchongnyon).

An article of NODONG SINMUN deals with the ever growing fascist offensive of the Kim Yong-sam group to emasculate "Hanchongnyon."

The paper in a commentary denounces the Kim Yong-sam group for trying to largely increase the "budget for defence expenditure" for next year over this year's.

Conveyed in the paper is news that THE CHINESE PEOPLE'S DAILY published a commentator's article saying Japanese reactionaries' view of history should be terminated.

The paper carries an article stressing that Japan's unjust stand toward the liquidation of the past cannot evade denunciation.

#### **DPRK: Scholars Develop Way To Use Alternative Fuel In Transport**

SK2708145796 *Pyongyang Korean Central Broadcasting Network in Korean*  
2200 GMT 26 Aug 96  
— DPRK-owned central radio network

[FBIS Translated Text] In an effort to glorify our country and our fatherland — led by the great leader [widaehan yongdoja] Comrade Kim Chong-il — with greater scientific and technological achievements, teachers and researchers of Kim Chaek University of Technology have recently vigorously carried out scientific research and are positively applying the valuable achievements from the research in various sectors of the people's economy.

Central station reporter Kim Mi-ok has interviewed Yi Won-chi, deputy director of the Scientific Research

Department of Kim Chaek University of Technology, and O Min, a guidance official of the department.

[Begin recording] [Kim] I heard all researchers at Kim Chaek University of Technology have recently mapped out various valuable technical innovation plans and are applying them to production.

[Yi] Yes. In hearty response to the fatherly leader's [suryongnim] behests, recently the teachers and researchers of our university have vigorously carried out scientific research and applied approximately 60 cases of valuable achievements from scientific research to production.

Just to name a few, the director and other researchers of the Robotics Institute of our university, who had been sent to the Pyongyang Shoemaking Machinery Plant, did research on the assembly lines for molding vinyl chloride shoes in cooperation with the plant's workers and technicians and made assembly-line production possible. As a result, they made it possible to produce over a pair of vinyl chloride shoes a minute [as heard].

A group of researchers at the Mining Engineering Office of the Mining Institute went to the Komdok Mining Complex and carried out scientific equipment design. As a result, millions of tonnes of ore was produced with little investment, thus benefiting the country.

[Kim] I heard researchers here have also done research on alternative fuel and greatly contributed to developing the people's economy.

[Yi] A group of internal combustion engine researchers at our university's Power Machinery Faculty researched ways to use alternative fuel in cars, tractors, and rice-transplanting machines in cooperation with workers at the (?general farms) of the university, and they have brought about great achievements.

They manufactured equipment for compressing and drying alternative fuel produced everywhere. They went to Hwasan-ri, Chongdan County, South Hwanghae Province, and various other regions and used this technology in means of transportation. Various units across the country are using this technology.

[O] The great leader [widaehan yongdoja] General Kim Chong-il was very much pleased to see our university researchers' achievements, although small, and praised the researchers whenever they brought about achievements in scientific and technological research.

We pledge to vigorously wage the struggle to research science and technology, apply results to production, and, thus, actively contribute to making our chuche socialist country and fatherland, in which we are living with the great general, richer and more powerful. [end recording]

**DPRK: Yi Chong-ok, Choe Kwang Meet Visiting PRC Army Performers**

SK2708122396 *Pyongyang KCNA in English*  
1209 GMT 27 Aug 96 — Official DPRK news agency

[FBIS Transcribed Text] Pyongyang, August 27 (KCNA) — Vice-president Yi Chong-ok, who is also member of the Political Bureau of the Central Committee of the Workers' Party of Korea, today met and had a friendly talk with the leading members and main artistes of the visiting song and dance ensemble of the Chinese People's Liberation Army (CPLA) led by Maj. Gen. Tian Aixi, deputy head of the cultural section of the CPLA General Political Department.

Present there were Col. Gen. of the Korean People's Army Pak Chae-kyong, and Chinese Ambassador to Korea Qiao Zonghuai and Military Attache Liu Jianhua.

Minister of the People's Armed Forces Choe Kwang, who is also member of the Political Bureau of the Central Committee of the Workers' Party of Korea, met the Chinese visitors today.

**DPRK: Electricity Production by New Combustion Method Introduced**

SK2808012196 *Pyongyang Korean Central Television Network in Korean* 1100 GMT 19 Aug 96  
— DPRK-owned television network

[Announcer-read report; no video available]

[FBIS Translated Text] According to data from the Central Scientific and Technological Information Agency, a new combustion method has been developed to produce electricity by using carbon dioxide from power plants. This combustion method is to make nickel and metals in fuel react to each other, producing electricity by operating the fuel (?turbine) created in this reaction.

Carbon dioxide created in combustion is directly collected and used in this process.

This combustion method is entirely different from the method that absorbs heat energy from the flames of combustion materials. This combustion method can easily and efficiently collect carbon dioxide, and has a very high combustion efficiency.

The generating efficiency, the heat efficiency, of large modern power plants is approximately 40 percent. However, it is said the combustion efficiency of such new equipment is as high as 55 percent.

**South Korea**

**ROK: ROK Cites U.S. Aim of Opening DPRK Offices Prior to Election**

SK2808004396 (*Internet*) *The Digital Chosun Ilbo*  
WWW in English 1203 GMT 27 Aug 96

[FBIS Transcribed Text] It is known Tuesday that the U.S. government strongly hopes to expedite the opening of a Pyongyang liaison office.

A government official said that the Clinton administration would like to cite as an example of successful foreign policy in the wake of the forthcoming presidential election the progress of North-U.S. relations following the striking of the Geneva Nuclear Agreement. He said that the U.S. government aims to establish a liaison office prior to the election and that it has obtained the South government's consent.

The difficulty is that the North military opposes the establishment of the office due to the US' request that the diplomatic pouch be sent via Pyongyang.

Spokesman for the U.S. State Department, Glyn Davies, disclosed that Spence Richardson of the State Department, who had accompanied Rep. Tony Hall to Pyongyang, is still residing in the North. He said that Richardson, who would be appointed chief of the liaison office, is currently discussing technical difficulties associated with the opening of the office.

**ROK: U.S. Diplomatic Pouch Refusal Blocks DPRK Liaison Office**

SK2808025296 *Seoul YONHAP in English*  
0244 GMT 28 Aug 96  
— Semiofficial news agency of the ROK

[FBIS Transcribed Text] Seoul, Aug. 28 (YONHAP) — North Korea has again refused to allow the United States to bring diplomatic pouches through the truce village of Panmunjom, leaving the stumbling block to the exchange of liaison offices between Pyongyang and Washington in place, a Foreign Ministry official said Wednesday.

"North Korea repeated its position that it will not allow, for security reasons, American diplomats to bring pouches through Panmunjom when Karl Spence Richardson met with Director General Yi Hyong-chol from the American Affairs Bureau at the North Korean Foreign Ministry," according to Director General Yu Myong-hwan of the Foreign Ministry American Affairs Bureau.

Yu was quoting Richardson with whom he had a breakfast meeting.

Richardson, who has been named head of the U.S. liaison office that is to be opened in Pyongyang, flew into Seoul late Tuesday to brief South Korean officials about his one-week trip to North Korea. The former head of the Korea desk at the U.S. State Department accompanied U.S. Congressman Tony Hall to Pyongyang last week on a fact-finding mission about the North's food shortage.

Yu also quoted Richardson as saying that it was not likely that the issue of opening liaison offices will be settled soon in consideration of the North's negative response to the issue.

The North's Yi requested additional food assistance without specifically commenting on the four-party meeting proposed by Seoul and Washington last April.

South Korean officials consider the North's reluctance to proceed with the talks with the United States to be part of its traditional brinkmanship strategy in which the North hopes to get as much as it can from the United States before the November presidential elections in the United States.

The Clinton administration has boasted that the 1994 agreed framework for checking the North's suspected nuclear weapons development program was one of Clinton's major diplomatic achievements.

North Korea is very well aware of this and may think that the Clinton administration can give much more to the North to implement the framework before the election, they said.

In that sense, North Korea uses the Panmunjom pouch passage issue as an excuse to delay the exchange of the liaison offices, according to the officials.

In the initial stage of talks to open liaison offices, North Korea agreed to the idea of U.S. diplomats bringing diplomatic pouches by way of the truce village but later changed their position, refusing to allow the passage of pouches through Panmunjom for unknown reasons.

**ROK: U.S. Said To Aim at Opening Liaison Office**

*SK2808030396 (Internet) The Digital Chosun Ilbo WWW in English 1203 GMT 27 Aug 96*

[FBIS Transcribed Text] It is known Tuesday that the U.S. government strongly hopes to expedite the opening of a Pyongyang liaison office.

A government official said that the Clinton administration would like to cite as an example of successful foreign policy in the wake of the forthcoming presidential election the progress of North-U.S. relations following the striking of the Geneva Nuclear Agreement. He said that the U.S. government aims to establish a liaison of-

fice prior to the election and that it has obtained the South government's consent.

The difficulty is that the North military opposes the establishment of the office due to the U.S.' request that the diplomatic pouch be sent via Pyongyang [as received].

Spokesman for the U.S. State Department, Glyn Davies, disclosed that Spence Richardson of the State Department, who had accompanied Rep. Tony Hall to Pyongyang, is still residing in the North. He said that Richardson, who would be appointed chief of the liaison office, is currently discussing technical difficulties associated with the opening of the office.

**ROK: North Korea-Made Christmas Cards To Be Imported**

*SK2608013396 (Internet) The Digital Chosun Ilbo WWW in English 1145 GMT 25 Aug 96*

[FBIS Transcribed Text] CIPICO International Trade Co., which imported 400,000 glass coasters made in North Korea in July, will import 500,000 Christmas and greeting cards by the end of the year, it was announced Sunday. These cards, as in the case of the coasters, will be manufactured with recycled paper sent from South Korea by North Koreans employed by Tonghung Co. of the North Korea Social Security Department. Of the 200 card designs, over 150 are designed by a North Korean Co., and the remaining designed in South Korea.

**ROK: Tanker Filled With 20,000 Tons of Oil Departs for DPRK**

*SK2408032696 Seoul THE KOREA HERALD in English 24 Aug 96*

*p 2 — Generally pro-government English-language daily*

[FBIS Transcribed Text] A tanker left for North Korea Friday [23 August] with 20,000 tons of fuel oil to be supplied under a 1994 nuclear agreement.

Hanhwa Energy Co. of Seoul said the shipment, which left the western port of Inchon, will arrive at the North's western port of Nampo on Saturday.

The shipment is part of 300,000 tons of fuel oil to be given North Korea this year under the agreement aimed at freezing and eventually dismantling the North's suspected nuclear weapons program.

The agreement calls for a U.S.-led international consortium, the Korean Peninsula Energy Development Organization [KEDO], to give Pyongyang 300,000 tons of free fuel oil this year and 500,000 tons annually thereafter until two new reactors are built in the North by 2003.



The two light-water reactors will replace the North's Soviet-built graphite reactors, suspected of being used for weapons development. The new reactors produce far less weapons-grade plutonium.

South Korea has promised to pick up most of the reactor cost, estimated to exceed \$5 billion. Japan has promised to play "a significant role" in funding the project.

**ROK: NKP Lays Tentative Plans for Camp for North Korean Escapees**

SK2708124596 Seoul YONHAP in English  
1221 GMT 27 Aug 96

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 27 (YONHAP) — The administration and ruling New Korea Party (NKP) tentatively decided Tuesday to build a camp for North Korean escapees near Chonan or somewhere else in central Korea.

The camp, to be erected and run with 4.6 billion won next year, will be to systematically manage those North Koreans who escape the communist country and resettle in the South.

Of the 4.6 billion won to be earmarked, 4.2 billion won will be used in erecting accommodation facilities and the remaining 400 million won to finance their re-education, an NKP official said.

The center, when built as planned, will initially house 200 North Korean escapees — 100 who are already in the South and another 100 expected to come to the South next year.

**ROK: Government To Ship Powdered Milk to DPRK 30 Aug**

SK2708122596 Seoul YONHAP in English  
1216 GMT 27 Aug 96

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 27 (YONHAP) — The one million dollars' worth of nonfat dry milk which the government has promised for North Korea through international organizations will be delivered to the North on Friday this week.

A government official said Tuesday about 200 tons of powdered milk had been secured through the livestock industries cooperatives, which, he said, will be shipped to the North's Nampo harbor from Incheon on Friday, Aug. 30.

At Nampo, the official said, the milk will be turned over to UNICEF (United Nations International Children's Emergency Fund) officials for delivery to North Korean authorities.

The 1 million dollars with which the dry milk was purchased was disbursed from the South-North cooperation fund.

In response to international organizations' call for food assistance to famine-threatened North Korea, the government promised 3 million dollars — 2 million dollars in cash and 1 million dollars in dry milk.

The 2 million dollars it committed in cash were remitted to the World Food Program (WFP) early this month.

**ROK: DPRK, Japan To Hold Meeting on Diplomatic Ties in Beijing**

SK2808010096 Seoul YONHAP in English  
0052 GMT 28 Aug 96

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Tokyo, Aug. 28 (YONHAP) — Working-level Foreign Ministry officials from North Korea and Japan will meet in Beijing Wednesday and Thursday to discuss resuming talks on relations normalization, TOKYO SHIMBUN reported Wednesday.

The meeting will be attended by Koro Bessho, director of the Northeast Asian Division of the Japanese Foreign Ministry and Yi Chol-chin, director of the Japanese Division of the the North Korean Foreign Ministry, according to the newspaper.

The paper said the contact was first proposed by Tokyo through diplomatic channels, and Pyongyang responded favorably.

A Japanese official was quoted by the paper as saying, "We don't want to make the contact simply for the sake of contact," voicing an expectation that the get-together yield detailed results regarding the resumption of talks on normalization.

Japan is reportedly considering upgrading the contact up to the director-general level if there are tangible results at the director level meeting.

The contact will be the third this year between the two directors following one in Beijing last March and another in Tokyo last June.

**ROK: Government To Propose Inter-Korean Air Control Agreement**

SK2708084296 Seoul YONHAP in English  
0758 GMT 27 Aug 96

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 27 (YONHAP) — South Korea plans to propose an inter-Korean air control agreement at the International Civil Aviation Organization (ICAO)-arranged multinational meeting

slated for Sept. 10-13 in Bangkok to discuss civil flight over the North Korean airspace.

A Construction and Transportation Ministry official disclosed the plan Tuesday, pointing out that such an agreement is prerequisite for South Korean civil aircraft to fly over the airspace of the North.

At the forth-coming Bangkok meeting, South Korea will focus its efforts on opening an air route linking Khabarovsk-North Korea-Seoul, the official said.

If that route opens, South Korean carriers servicing Seoul-U.S. destinations over Khabarovsk and Japan's eastern coast will be able to pass over seas off Wonsan, North Korea, a flight information region of the North, and save 20 minutes in flight time, according to the source.

Pyongyang has not notified Seoul with respect to the upcoming Bangkok meeting, and the possibility cannot be ruled out that it will exclude South Korea while talking to China and Japan, the official said.

**ROK: ROK To Attend Conference on Opening Air Routes Over DPRK**

SK2708083596 Seoul YONHAP in English  
0748 GMT 27 Aug 96

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 27 (YONHAP) — South Korea Tuesday informed the International Civil Aviation Organization (ICAO) that it will take part in the ICAO-proposed multilateral talks for opening air routes linking South and North Korea, Japan and China, a Foreign Ministry official said.

ICAO recently proposed that officials from the four northeast Asian countries meet in Bangkok, Thailand, between Sept. 10-13 to discuss opening a new air route directly linking South Korea's Taegu and North Korea's Pyongyang Flight Information Region (FIR).

The proposal was in response to Pyongyang's announcement that it was willing to open its FIR to foreign countries so foreign airplanes could fly over its airspace.

**ROK: Black Market Thriving in DPRK Due to Economic Hardships**

SK2408043996 Seoul TONG-A ILBO in Korean  
24 Aug 96

p 2 — *South Korea's second-largest and second-oldest daily newspaper*

[Report by Yun Chong-kuk]

[FBIS Translated Text] On 23 August, a government official disclosed that black markets are now thriving in North Korea due to a shortage of goods stemming

from economic hardships, estimating there are between 700,000 and 800,000 black marketers in North Korea.

Hong Song-kuk, the section chief of the North Korean economy desk of the Information Analysis Department under the Ministry of National Unification, wrote in a book entitled "North Korea of Today," which was published by the Information Ministry: "Recently in North Korea, peddlers—such as photographers, soft drink sellers, and dealers who sell illegally-collected farming and fishery products—have mounted the saddle." He noted those peddlers account for 3 to 4 percent of the total North Korean population.

Mr. Hong further disclosed that a peddler earns from 300 to 400 won a month, and a photographer can earn up to 300 won, compared to 80 won earned monthly by the average North Korean worker.

He added the North Korean residents purchase 80 percent of their total manufactured goods and 60 percent of corn, their chief staple, reflecting that the scale of the black market is much larger than that of the official economy.

**ROK: Institute on Increasing DPRK Herb, Animal Medicine Imports**

SK2808065296 Seoul YONHAP in English  
0531 GMT 28 Aug 96

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 28 (YONHAP) — Imports of North Korean herb and animal medicine, such as deer horns and musk, last year amounted to 6.14 million dollars, a nine-fold increase from the 684,000 dollars registered for 1990 when imports from the North were authorized.

Deer horn imports more than tripled from 400,000 dollars in 1994 to 1.37 million dollars last year, and 200 kilograms of musk worth three million dollars was first imported last year, according the Korea Rural Economics Institute (KREI).

KREI officials have suggested that it is very possible that many of these North Korean imports are from China, and said an inter-Korean place of origin agreement should be concluded to avoid the importation of Chinese goods disguised as North Korean products.

Meanwhile, North Korean potato imports have been suspended since 1993; up to then the imports amounted to 1.88 million dollars in 1992, 214,000 dollars in 1991 and 4.19 million dollars in 1990.

Imports of North Korean farm, forestry and marine products last year totaled 19.64 million dollars.

**ROK: DPRK 'Likely' To Postpone 'First' International Exhibit**

SK2608013696 Seoul YONHAP in English  
0054 GMT 26 Aug 96

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Berlin, Aug. 26 (YONHAP) — North Korea's first-ever international exhibition, which has been slated to open in Pyongyang in October, is highly likely to be postponed, its promoter here said Monday.

Imag, a German international exhibition promotion agent, said that in light of the recent situation in the North, holding the event as scheduled on Oct. 22 would be very difficult. It had been postponed from last April.

With the recent flood damage in the North and sour inter-Korean relations, participation by South Korean firms is expected to be low and therefore, holding the event would be difficult, an Imag spokesman said.

A final decision will be made on whether or not to hold the exhibition after an investment seminar is held at the Najin-Sonbong free trade zone, the spokesman added.

The spokesman said that some 20 German businesses having their offices in Pyongyang and some South Korean large businesses had applied for participation in the fair. The South Korean applicants have recently withdrawn their applications, he noted.

The fair is, however, unlikely to be completely scrapped in view of North Korea's firm will to seek ways to overcome the pressing economic difficulties through it, the spokesman said. But, he said, it is inevitable that the event will be postponed for about six months.

The Medizinische Messe, a medical fair which was originally slated to be held in April in Pyongyang, was once postponed to October and then canceled.

**ROK: Samsung Jointly Develops Large Coal Mine in Australia**

SK2808074296 Seoul YONHAP in English  
0709 GMT 28 Aug 96

— *Semiofficial News Agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 28 (YONHAP) — Samsung Co., the trading arm of the Samsung Group, recently set out to drill bituminous coal in a mine in Springvale, Australia, business sources said Wednesday.

The coal mine development project is a 190 million U.S. dollar 50-50 joint venture between the Korea's largest general trading company and a leading U.S. mining company Cyprus.

Samsung is entitled to drill three million tons of bituminous coal every year until 2013 at the Australian mine where there is an estimated 93 million tons of coal deposits, according to the sources.

Under a 20-year supply contract signed with Australia's electric power agency, Samsung will supply two million tons a year for power generation and the remaining output will be shipped to Korea for industrial use, according to the sources.

**ROK: Brazil To Allow ROK Firms To Sell 16,500 Autos Annually**

SK2408032896 Seoul YONHAP in English  
0230 GMT 24 Aug 96

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 24 (YONHAP) — Brazil has introduced a new quota system for auto imports that allows Korean automakers to sell 16,550 vehicles a year at a 35-percent tariff, the Korea International Trade Association (KITA) said Saturday.

South Korea has been allotted 33.1 percent of the 50,000 units that the Brazilian Government allowed South Korea, Japan and the European Union [EU] to sell together for one year. Japan and the EU have 47.5 percent (23,750 units) and 19.4 percent (9,700) of the total, respectively.

Announced by Brasilia Wednesday [21 August], the new quota system was fixed in consideration of the three car exporters' performances in Brazil in 1993 and 1994, KITA said.

In March last year, Brazil effectuated a controversial tariff system which levied 35- and 70-percent tariffs on imports from automakers with and without local factories, respectively. The move aroused a strong backlash from concerned exporters, with Japan filing a suit against Brazil to the world trade organization in July.

Meanwhile, South Korean auto exports to Brazil totaled 94.26 million U.S. dollars between January and July this year, compared with 312 million dollars for the whole of last year.

**ROK: KITA Announces Exports to Brazil Decline by 36.7 Percent in 1996**

SK2808064696 Seoul YONHAP in English  
0530 GMT 28 Aug 96

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 28 (YONHAP) — With Brazil having raised its tariff barrier, South Korea's exports to the South American country in the



first seven months of the year plummeted 36.7 percent from a year earlier to 724 million dollars, according to the Korea International Trade Association (KITA).

This is a sharp reversal of the increases of 79.9 percent last year, 88.2 percent in 1994 and 172.7 percent in 1993.

Auto exports, textiles and consumer electronic goods in the seven-month period fell 68.3 percent, 59.4 percent and 22.3 percent to 94 million dollars, 93 million dollars and 150 million dollars, respectively.

**ROK: Koreans Living in Guatemala Donate Money for Flood Victims**

*SK2808033596 Seoul YONHAP in English*  
*0444 GMT 28 Aug 96*  
*— Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 28 (YONHAP) — An association of ethnic Koreans living in Guatemala Wednesday donated 11,000 U.S. dollars to the Foreign Ministry to aid victims of the floods that swept the central part of the country last month, ministry Spokesman So Tae-won said.

The donation was delivered to the South Korean Embassy in the Central American nation's capital of Guatemala City, So said.

Guatemala has about 2,000 ethnic Korean residents, mostly employees of over 180 South Korean firms operating there.

**ROK: Gabonese President Bongo To Visit Seoul 30 Aug**

*SK2708023296 Seoul YONHAP in English*  
*0200 GMT 27 Aug 96*  
*— Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 27 (YONHAP) — President El Hadj Omar Bongo of Gabon will make an unofficial visit to Seoul Friday to discuss expanding business relations between the two countries, Foreign Ministry spokesman So Tae-won said Tuesday.

Scheduled to stay until Sunday, Bongo will meet with President Kim Yong-sam and Korean business leaders.

Bongo's visit is part of his Asian tour that also includes China, Japan and Hong Kong. He had made two earlier visits in 1975 and 1984.

**ROK: Foreign Ministry Confirms 7 South Koreans Killed in Mutiny**

*SK2608021196 Seoul YONHAP in English*  
*0138 GMT 26 Aug 96*  
*— Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 26 (YONHAP) — Eleven crewmen of the Honduras-registered fishing boat Pescamar No. 15 — seven South Koreans, three Indonesians and a Chinese — were killed in a mutiny which took place in the boat earlier this month in the South Pacific, the Foreign Ministry announced Sunday [25 August].

As for Korean crewmen, only one, identified as first mate Yi In-sok, 27, survived, the ministry said.

The bodies of the victims were reportedly dumped overboard by mutineers Aug. 2 when the mutiny took place, ministry Spokesman So Tae-won said.

"Security officers from Japan's Maritime Safety Agency are investigating the cause and process of the mutiny aboard the boat which was found drifting off Torishima Island 500 kilometers south of Tokyo," the spokesman said.

The Foreign Ministry has requested that the Japanese Government turn the fishing boat and surviving crew members over to South Korean authorities. Two factors were cited in the request. One is that although the boat has been registered in Honduras, Taehyon Fisheries Co., Ltd. has been the virtual operator of the boat which is based in Pusan. The other is the fact that most of the victims are South Koreans.

Having formed a task force headed by second Deputy Foreign Minister Choe Tae-hwa, the Foreign Ministry has begun to investigate the mutiny in collaboration with the Ministry of Marine Affairs and Fisheries and the Maritime Police.

**ROK: Government To Contact Honduras About Mutiny Investigation**

*SK2608112596 Seoul YONHAP in English*  
*1053 GMT 26 Aug 96*  
*— Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 26 (YONHAP) — The government hopes to tow the Honduras-registry fishing boat where 11 of its crewmen were killed in a mutiny to a Korean harbor for investigation and legal actions against the culprits.

Seven of the 11 victims were South Koreans. The remainder included three Indonesians and a Chinese.

A government source said Monday that Korea would soon contact Honduras to obtain its accord on Korea's investigation of those involved in the slaying of the 11 crewmen.

"The boat, which had been probed by the Japanese Maritime Safety Agency, is presently drifting in the high seas about 40 nautical miles away from Okinawa," the source said.

He said there is full legal grounds for Korea to look into the incident because he said the ship had in effect been run by a South Korean Shipping Co. and most of the victims were South Koreans.

If necessary, the source said, the government would discuss with China and Indonesia, the countries to which the other victims belonged, the issue of handling the ship and mutineers.

Noting that Japan rescued and looked into the drifting vessel on Aug. 24, the source said Japan seems to have let the ship sail into the high seas in its apparent policy not to exercise any jurisdictional right over the incident.

#### **ROK: Maritime Police Send Salvage Ship To Tow Tuna Boat to Port**

SK2708102096 Seoul YONHAP in English  
1010 GMT 27 Aug 96

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Incheon, Aug. 27 (YONHAP) — The Maritime Police have sent one of its salvage vessels to the high seas where an Honduras-registry fishing boat stricken with a mutiny is anchored to tow the ship to the Pusan harbor for investigation.

Cho Song-bin, director of the Maritime Police, told a press conference Tuesday afternoon that Salvager No. 3001 of the Pusan Maritime Police sped to the sea 63 miles northwest of Torishima Island of Japan where Pescamar No. 15 was staying.

"The salvager is expected to reach the scene Wednesday morning where the Japanese Maritime Safety Agency is expected to turn the troubled ship over to the Korean salvager," Cho said.

Pescamar No. 15 is likely to be towed into Pusan around Friday morning.

A Maritime Police source said that though the incident involves multiple countries, South Korea has the right to investigate the incident because a Korean firm had managed all the crew persons of the Honduras-registry vessel and because most of the victims were South Koreans.

"But, we intend to investigate the incident in close cooperation with other relevant countries," the source added.

#### **ROK: Ministry Denies Report on Indonesians Detaining ROK Crewmen**

SK2708025996 Seoul YONHAP in English  
0153 GMT 27 Aug 96

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 27 (YONHAP) — The Foreign Ministry denied reports Tuesday that Indonesian fishermen aboard six South Korean fishing boats now operating in Indonesian waters detained South Korean crew in a mutiny on Aug. 17 to demand wages.

"Investigations by the South Korean Embassy in Jakarta into the alleged mutiny case found that no such mutiny was reported," Foreign Ministry spokesman So Tae-won said in a statement.

Reports said earlier that Indonesian fishermen revolted against the South Korean crew when they heard that Handu Fishing Co., owner of their vessels went bankrupt.

#### **ROK: Marine Police To Arrest Korean-Chinese Crew of Tuna Boat**

SK2808012396 (Internet) The Digital Chosun Ilbo  
WWW in English 1200 GMT 27 Aug 96

[FBIS Transcribed Text] The Pusan Marine Police Tuesday decided to arrest six Korean-Chinese crew members of the Pescamar 15 on the suspicion of slaying eleven crew of the vessel. Their arrests will be effected as soon as the vessel arrives at port.

The police said that they have dispatched a police boat to the sea area near Japanese Hajijio Island and that is expected to make contact with Pescamar 15 around Wednesday 7 AM [2200 GMT 27 August] at the earliest. Pescamar 15 will arrive at Pusan Harbour late Thursday or early Friday.

Police said that the six Korean-Chinese crew will be arrested under the suspicion of murder and the disposing of bodies overboard the vessel.

#### **ROK: Seoul Considering Importing 600 Tons of Japanese Oranges**

SK2608022596 Seoul YONHAP in English  
0218 GMT 26 Aug 96

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 26 (YONHAP) — Expecting a poor citrus harvest this fall, the government

is considering importing 600 tons of Japanese oranges for the first time this year.

According to the Finance and Economy Ministry Monday, the 600 tons are part of the minimum market access (MMA) quota of 1,351 tons of citrus fruits allotted to the country by the World Trade Organization for 1996.

The government will also accept bids sometime this year for next year's 25,000-ton MMA fruit import quota so that they will arrive early next January.

**ROK: Japanese Naval Vessels To Visit Pusan 2-6 Sep**

*SK2808150096 Seoul YONHAP in English*  
*0739 GMT 28 Aug 96*

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 28 (YONHAP) — A Japanese Maritime Self-Defense Force (navy) fleet of two warships under the command of Rear Adm. Michio Yamada will make a goodwill call on Pusan Sept. 2-6 on the last leg of its round-the-world cruise, the Defense Ministry said Wednesday.

The first of its kind ever made by Japanese warships since the end of World War II, the call is in response to the call a South Korean Navy training fleet for Naval Academy cadets made on Tokyo Bay in 1994.

The Japanese fleet consists of a 3,000-ton escort destroyer and a 4,000-ton training warship, with some 500 officers and seamen aboard.

During the short visit, the Japanese warships will invite Pusan citizens to their onboard functions, while Rear Adm. Yamada will pay a call on Defense Minister Yi Yang-ho, Joint Chiefs of Staff Chairman Gen. Kim Tong-chin and other ranking military and naval officers.

**ROK: Entourage for President Kim's Latin America Trip Finalized**

*SK2408022196 Seoul YONHAP in English*  
*0115 GMT 24 Aug 96*

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 24 (YONHAP) — Foreign Minister Kong No-myong, Trade, Industry and Energy Minister Pak Chae-yun, chairman of Joint Chiefs of Staff Kim Tong-chin, and chief secretary to the New Korea Party President, Pak Pom-chin, will accompany President Kim Yong-sam in his trip to Latin America, the presidential office of Chongwadae [presidential offices] announced Saturday.

The chief executive's entourage will also include Yi Sok-chae, senior presidential secretary for economic affairs; Kim Kwang-sok, chief of presidential security

force; Yu Chong-ha, senior presidential secretary for foreign affairs and national security; Yun Yo-chun, presidential spokesman; Pan Ki-mun, presidential secretary for protocol; Mun Tong-sok, the Foreign Ministry's chief protocol officer; and Yu Myong-hwan, the ministry's American Bureau director-general.

South Korea's Ambassadors to Guatemala, Chile, Argentina, Brazil and Peru will also travel with the president.

Kim is scheduled to arrive in Los Angeles on Sept. 2 and then fly to Guatemala the next day. His trip to Chile will start from Sept. 6 for three days.

On Sept. 8, Kim is set to arrive in Buenos Aires, Argentina. He is slated to go to Brazil two days later.

The last leg of Kim's South American trip will be Peru for two days between Sept. 12-14.

He will return to Seoul Sept. 16 via San Francisco.

**ROK: Deputy Foreign Minister To Receive New Zealand Counterpart**

*SK2808074596 Seoul YONHAP in English*  
*0706 GMT 28 Aug 96*

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 28 (YONHAP) — Deputy foreign ministers of South Korea and New Zealand will meet in Seoul Friday for an annual policy consultative meeting emphasizing both bilateral and global economic and political issues, Foreign Ministry spokesman So Tae-won said Wednesday.

Chong Tae-ik, deputy foreign minister for political affairs, will represent the South Korean side at the talks while Chong's New Zealand counterpart will be Richard Nottage, So said.

Chong and Nottage will explain the foreign policies of their respective governments and exchange opinions on the North Korean issue and ways to enhance bilateral cooperation in the Asia-Pacific Economic Cooperation (APEC) and the Asia Regional Forum (ARF).

The talks will be the sixth of its kind since 1989.

Bilateral trade exceeded 1 billion dollars last year and the number of South Korean tourists to New Zealand surpassed 100,000 last year.



**ROK: ROK, PRC Exchange Detained Fishermen  
27 Aug**

SK2708085996 Seoul YONHAP in English  
0841 GMT 27 Aug 96

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Inchon, Aug. 27 (YONHAP) — The governments of South Korea and China on Tuesday repatriated to each other a detained fishing boat skipper from the other side in the high seas.

China released skipper Pak Yong-ok, 46, the captain of the Hanjin No. 6 from Kunsan, along with his boat in exchange for the return by South Korea of Fu Xiuning, 32, of the Lurongyu from Shidao, Shandong Province, in the open sea.

At 8 AM, the Maritime Police took the Chinese skipper to the open sea and turned him over to a Chinese fishery patrol boat at 3 PM after receiving Pak and his boat.

The Korean vessel, sailing with Pak and four crew members, was seized on May 13 in waters off Shandong Province for allegedly crossing into Chinese waters. All the crew except the skipper returned in two transfers to South Korea between July and the beginning of this month.

Fu was put under arrested after being caught by South Korean police on charges of intruding into territorial waters while fishing some eight miles southwest of Soyonpyong Island in the West Sea [Yellow Sea] on July 27.

**ROK: DPRK Trade With PRC Decreased 9.1  
Percent in Early 1996**

SK2708005196 (Internet) The Joong-Ang Ilbo WWW  
in English 27 Aug 96

[FBIS Transcribed Text] North Korea's trade with China amounted to a total of 248 million dollars in the first half of this year, down 9.1 percent from the same period of last year.

South Korea's Unification Ministry announced Monday [26 August] that North Korea exported 27 million dollars worth of goods to China during the January-June period of this year and imported 221 million dollars, recording a total trade volume of 248 million.

This is a drop of 21.7 percent in exports and 7.2 percent in imports respectively compared to the same period of last year and a trade deficit of 194 million dollars.

**ROK: Minister To Fly to Tripoli for Waterway  
Opening Ceremony**

SK2608040796 Seoul YONHAP in English  
0222 GMT 26 Aug 96

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 26 (YONHAP) — Construction and Transportation Minister Chu Kyong-sok will fly to Libya Thursday [29 August] to attend a ceremony celebrating the completion of the second phase of the great man-made waterway project, which was built by a South Korean firm, Foreign Ministry Spokesman So Tae-won said Monday.

After attending the ceremony in the Libyan capital of Tripoli, Chu will pay a courtesy call on the Nation's President Mu'ammarr al-Qadhafi, in his capacity as a special presidential envoy, So said.

Chu will also meet with high-level government officials of the North African country to discuss ways to enhance cooperation between the two countries.

The sending of the presidential envoy aims not only to celebrate the opening of the waterway, one of the largest construction works in the 20th century, but will also pave the way for South Korea to continue to proceed with construction projects in Libya, the spokesman said.

Tong-A Construction Co. built the second phase of the waterway project, which will provide tap water to Tripoli, at a cost of about six billion U.S. dollars.

Libya will proceed with the third and fourth phases of the project at a total cost of about 10 billion dollars.

**ROK: Ministry Says 1996 Trade Deficit May  
Exceed 20 Billion Dollars**

SK2408032796 (Internet) The Joong-Ang Ilbo WWW  
in English 24 Aug 96

[FBIS Transcribed Text] Due to ever widening ripples of the 'semiconductor shock', this year's trade deficits are projected to exceed 20 billion dollars.

The Ministry of Commerce and Industry said yesterday that if the downward trend in the international chip prices continue, the price per unit (based on 16 mega DRAMs) will drop to 10 dollars (14 dollars at the moment) by the end of this year and chip exports will only reach 18 billion dollars. A ministry official predicted, "When combined with deficits in other areas including agricultural produce, this year's overall trade deficits could well approach the 20 billion dollar level."

**ROK: Chunsu To Begin International Internet Phone Service 1 Sep**

*SK2708005796 (Internet) The Digital Chosun Ilbo  
WWW in English 1200 GMT 26 Aug 96*

[FBIS Transcribed Text] Chunsu Trading, importer of the Vocaltex Internet Phone, announced Monday [26 August] that it will begin a international telephone service jointly with the U.S.' GXC, a long-distance Internet phone company beginning September 1. Through this arrangement, the connection to a GXC communications server will be made through the Internet and the connection from GXC to U.S. customers will be through ordinary telephone networks. A person making a call from Korea will communicate through his or her PC microphone whereas a person in the U.S. will be using his or her telephone. Currently, international telephone rates from Korea to the U.S. are much more expensive than the reverse, making this service worthwhile for callers from Korea. Although Chunsu will begin with service from Korea to the U.S., it plans to eventually expand to Canada as well.

A one-time subscription fee is \$20 and the telephone fee from Korea to the U.S. is 25 cents (200 won) a minute. Dacom's standard time U.S. to Korea one-minute fee is about 1,490 won.

**ROK: Kim Yong-sam on NKP Candidacy, 4-Way Talks, Hanchongnyon**

*SK2808070096 Seoul YONHAP in English  
0650 GMT 28 Aug 96  
— Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 28 (YONHAP) — President Kim Yong-sam, citing important national tasks on hand, again called on ruling New Korea Party [NKP] presidential hopefuls Wednesday to refrain from prematurely debating the nomination of the party's standard-bearer.

"The current situation requires us to prepare for the 21st century, and we have a host of economic and social issues to tackle. It is thus undesirable for us to indulge in a debate about the presidential nomination," President Kim said. "It is more important now for us to rally our strength and wisdom in resolving such national tasks."

Kim made the remarks in an interview with the provincial daily PUSAN ILBO on the occasion of its 50th founding anniversary.

On a possible inter-Korean summit meeting, Kim said, "It's inappropriate to discuss the matter when formal power succession procedures have yet to be completed in the North."

When asked about the increasing number of North Koreans defecting to the South, the chief executive replied that the government has been studying all possible developments involving North Korea and making thorough preparations for them.

"The government has long studied specific ways to help the North resolve its economic difficulties. We are ready to help them," Kim said, adding, "since North Korea will receive the most benefits from the proposed four-way talks, it is expected that the North will eventually accommodate the proposal."

Referring to the recent violent student protests engineered by Hanchongnyon or the Korea Federation of University Student Councils, Kim said, "They were not student demonstrations, but tantamount to urban guerrilla warfare. They are leftist revolutionary forces who have defined the government as their enemy and frontally challenged our liberal democratic institutions."

"Even if it takes some time, the government will uproot them from the perspective of protecting our liberal democratic system," he added.

Kim hinted at a possible African tour, saying, "Since South African President Nelson Mandela has invited me to visit his country, I'm hoping I'll be able to tour Africa circumstances permitting."

When asked about his post-retirement plans, Kim said, "It won't be too late to think about retirement after stepping down. I'll just devote myself to fulfilling my presidential tasks for the sake of the state and people."

Kim, who is allowed to serve a single term under the constitution, is scheduled to retire in February 1998.

**ROK: Kim Yong-sam To Urge NKP To Solve Economic, Social Problems**

*SK2608022696 Seoul YONHAP in English  
0203 GMT 26 Aug 96  
— Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 26 (YONHAP) — President Kim Yong-sam will speak Tuesday [27 August] with standing advisors to the ruling New Korea Party (NKP), including Yi Hoe-chang, Choe Hyong-u, Yi Han-tong and Pak Chan-chong at a Chongwadae [presidential offices] luncheon.

The meeting draws keen attention in that it will be the first of its kind since Kim openly expressed a feeling of annoyance toward intra-party debates on presidential candidacy by saying at a Chongwadae meeting, "To self-righteous men, there will be no future."

Kim will meet with the party advisors, several of them presidential candidate hopefuls, for the first time since he named them to their present posts in a party reshuffle on July 9.

The president is expected to stress that the NKP concentrate its efforts for the present on solving the nation's economic and social problems, asking them to play leading roles in achieving intra-party unity and solidarity essential to political stability and NKP's continued stay in power.

NKP Chairman Yi Hong-ku will also attend the function, along with Min Kwan-sik, Hwang In-song, Yi Man-sop, Hwang Nak-chu, Kim Myong-yun, Kang Son-yong and Kim Yong-chung. Kim Yun-hwan and Kwon Ik-hyon are currently out of the country.

#### **ROK: NKP Head 'Secretly' Questioned Over Political Funds**

SK2808002196 Seoul YONHAP in English  
0011 GMT 28 Aug 96  
— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 28 (YONHAP) — The prosecution secretly questioned ruling New Korea Party (NKP) Secretary-General Rep. Kang Sam-chae last Wednesday in connection with a complaint filed against him involving his allegation that opposition leader Kim Tae-chung received more than 2 billion won in political funds from former President No Tae-u.

The questioning, which became known Wednesday, gives rise to the possibility that the political fund controversy involving major political leaders may be rekindled.

Kang reportedly told prosecutors last Wednesday, "When Kim Tae-chung admitted having accepted 2 billion won from No, there were suspicions as to whether or not that was all he accepted. Reflecting the general mood at the time, I said that Kim probably accepted more."

With regard to the complaint, filed by the major opposition National Congress for New Politics, the prosecution reportedly questioned imprisoned No as well, who declined to discuss the matter.

Kang told reporters, "No and Kim should know best as to exactly how much money was changed hands. I hope the truth will be brought to light by the ongoing investigation."

#### **ROK: Independent Representative Formally Joins New Korea Party**

SK2808012696 Seoul THE KOREA TIMES in English  
28 Aug 96

p 2 — *Daily English-language newspaper published by HANGUK*

[FBIS Transcribed Text] Independent Rep. Kim Yong-chun from Chechon-Tanyang, Chungchongbuk-to, joined the ruling New Korea Party (NKP) yesterday.

Kim told reporters that he decided to join the NKP because of the "limits" of an independent lawmaker's ability in Assembly politics and the need to cope with the "people's aspirations for a stable public life and political stability amid sustained reforms."

Kim's entry brings the number of NKP Assembly seats to 153.

#### **ROK: Defendants Involved in Chon-No Trials Appeal Convictions**

SK2808083096 Seoul YONHAP in English  
0807 GMT 28 Aug 96  
— *Semiofficial News Agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 28 (YONHAP) — Two defendants involved in the mutiny and treason case of former presidents Chon Tu-hwan and No Tae-u and three others involved in No's bribery case, dissatisfied with the verdicts given them in the first trial, submitted petitions of appeal to the Seoul District Court Wednesday.

The former two are Yi Hak-pong and Choe Se-chang, and the latter three Choe Won-sok, Kum Chin-ho and Yi Hyon-u.

This brought to seven the number of defendants involved in the cases who have filed petitions of appeal so far.

On Tuesday, defendants Chong Tae-su and Chang Chin-ho involved in No's corruption case submitted such petitions to the court.

Yi Hak-pong and Choe Se-chang were sentenced to ten and eight years in prison, respectively, for their major roles in a mutiny. Choe Won-sok was given a two-and-a-half year prison term for bribery, and Kum Chin-ho and Yi Hyon-u prison terms of six and seven years, respectively, for assisting bribery.

Chong Tae-su and Chang Chin-ho were sentenced to two-year prison terms each for offering bribes.

Yi Yang-u, defense attorney for Chon Tu-hwan, meanwhile, denied Wednesday the speculation that Chon has given up an appeal.



"When I met Chon this morning, he said he himself would decide whether or not to file a petition of appeal. He is expected to make a decision sooner or later," Yi said.

**ROK: Prosecution Questions NKP Head Kang Sam-chae on Funds**

*SK2808004996 Seoul YONHAP in English*  
*0043 GMT 28 Aug 96*

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 28 (YONHAP) — While investigations were underway on the slush fund No collected while in office in November last year, Kang told a press conference, "During the 14th presidential election campaign, Kim Tae-chung received more than the 2 billion won that he has admitted accepting. In addition, rumors have it that he accepted tens of billions of won in political contributions whenever major political events took place such as the inauguration of the Party for Peace and Democracy, the withholding of an interim evaluation of state affairs pledged by No as a presidential candidate, and the National Assembly hearings on wrongs done by the Fifth Republic."

Kang then called on Kim to "reveal the truth about the suspicions."

The National Congress for New Politics brought an action of libel against Kang Nov. 13 last year, asserting that he "defamed the honor of Kim by alleging that Kim received political funds under the Fifth and Sixth Republics without presenting any evidence."

**ROK: Police Mount 'Surprise' Raid on 23 Universities 28 Aug**

*SK2808022596 Seoul YONHAP in English*  
*0201 GMT 28 Aug 96*

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 28 (YONHAP) — Approximately 12,000 policemen were mobilized early Wednesday morning in a surprise raid on 23 universities across the country to search and seize any items that could be used as weapons in student demonstrations such as metal pipes and molotov cocktails.

A total of 347 students who were at the universities during the police operation were taken to the police station to be questioned about whether they participated in the recent violent student demonstrations at the Yonsei University campus.

Police confiscated plenty of "impure" booklets and literature allegedly benefiting the enemy, as well as steel pipes and molotov cocktails stored at each school office

of Hanchongnyon, the Korean Federation of University Student Councils.

Police closed, in cooperation with school officials, the Hanchongnyon headquarters at Korea University, the Office of Sochongnyon (the Federation of Student Councils in Seoul) at Yonsei University and the North Sochongnyon Chapter Office at Tanguk University.

It was the second police rummage following one on Aug. 17 at six universities and is believed to be part of a full-scale police effort to dissolve Hanchongnyon.

A police officer said that the students hauled away from the school campus Wednesday morning are under investigation and will be subject to judicial procedures if they are found to have participated in the violent demonstrations at Yonsei.

**ROK: Finance Minister Speaks on Economic Policies at Assembly**

*SK2808031896 Seoul YONHAP in English*  
*0213 GMT 28 Aug 96*

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 28 (YONHAP) — Finance and Economy Minister Han Sung-su said Wednesday the government would focus on fighting inflation and structurally improving the balance of current-account payments position in running the economy.

Speaking at a regular monthly meeting of the National Assembly Finance and Economy Committee, the chief economic policymaker for the administration added that the government will control the money supply in a flexible manner, linking it with the movement of interest rates.

The won's conversion rate against major world currencies will be left at the mercy of foreign exchange market mechanisms, in principle, but the government will see to it that it will stabilize at a level befitting the nation's economic growth pace, balance-of-payments position and inflation rate, he explained.

To restructure the high-cost and low-efficiency economy, the government will increase its investment in infrastructure expansion projects, while encouraging the private industry to invest in such projects.

The government will also increase assistance to growth industries such as information and telecommunications, while intensifying aid to promising small businesses, Han said.

### **ROK: National Tax Office To Investigate Bribes by Conglomerates**

SK2708004996 (Internet) *The Digital Chosun Ilbo*  
 WWW in English 1204 GMT 26 Aug 96

[FBIS Transcribed Text] The Office of National Tax Administration announced Monday [26 August] that as soon as prosecutors send documents to its office about the slush fund and they complete their own analysis of the situation, they will begin a tax investigation into the businesses which contributed to the slush fund. The investigation will be focused on measures used to create the slush fund and evade the corporate tax and value-added tax. The tax office plans to complete its investigation by 1997.

Prosecutors disclosed that the Samsung and Hyundai Groups gave former President No Tae-u 25 billion won each, the Daewoo Group 24 billion won, and the LG Group 21 billion won.

### **ROK: Recall Period of Imported Products Extended to 3 Months**

SK2708015696 Seoul *THE KOREA TIMES* in English  
 27 Aug 96

p 8 — Daily English-language newspaper published by HANGUL

[FBIS Transcribed Text] The rules and punishment for recalling products to correct flaws are being strengthened to protect local consumers and increase the responsibility of importers, according to the Korea Customers Service [KCS].

KCS officials said the new regulations will increase the period for recalling imports from the current one to three months to give more time for consumers to respond. "The increase in the recall period also makes it mandatory for importers to check on their inventory and make certain that the point of origin is properly administered to," one customs official said.

The new regulations mean that importers will have to retrieve all recalled products that are sold at the local market or face a maximum penalty equal to the total value of the tariff.

Under present regulations, the maximum fine for failing to properly recall defective products is 3 million won, making it easy for erring companies to just to pay the fine, said an observer.

Those who violate the regulations, especially those on points of origin, will be subject to strict import screening, the KCS official explained.

He said the stipulations of the new regulations have been submitted to the Ministry of Finance and Economy and

will soon undergo an approval process by the National Assembly this fall.

A large number of products from automobiles to refrigerators are being recalled by manufacturers all over the world, and many local importers have been negligent in providing the necessary aftersales services.

### **ROK: Finance Ministry Warns About 'Needlessly' Wasting Rice**

SK2408032496 (Internet) *The Digital Chosun Ilbo*  
 WWW in English 1217 GMT 23 Aug 96

[FBIS Transcribed Text] The Ministry of Finance and Economy released a report Friday [23 August] entitled the "International Comparison of Rice and Meat Consumption Trend." This report said that because Koreans are wasting much rice, reducing rice consumption by eliminating the waste of rice is a more urgent problem than increasing production.

The report said that the reduction in rice consumption of Koreans after the 1970's is occurring at a much slower rate than Japan and Taiwan. In the 1970's, South Koreans' annual per capita rice consumption was 136 kg compared with Taiwan 134 kg and Japan 95 kg. Until last year, over a 25 year span, Japan's per capita rice consumption decreased 32%, Taiwan 55%, but Korea only 22%. So, Koreans' per capita rice consumption last year was 106.5 kg, 1.6 times Japan (65.2 kg) and 1.8 times Taiwan (60.7 kg).

The report said that the slower rate of reduction is not due to the consumption of other foods like meat. Between 1970 to 1995, the per capita meat consumption of Koreans increased 4.6 times for beef, 4.7 times for pork, poultry 3.3 times, all of which exceed those of Japan and Taiwan. The report said that the fact that meat consumption is increasing sharply in no way corresponds to the rice consumption reduction rate, which means that rice is being needlessly wasted.

### **ROK: Cabinet To Pass Law on Exclusive Economic Zone 27 Aug**

SK2608035496 Seoul *YONHAP* in English  
 0544 GMT 26 Aug 96

— Semiofficial news agency of the ROK

[FBIS Transcribed Text] Seoul, Aug. 26 (YONHAP) — A cabinet meeting will pass the law on an exclusive economic zone (EEZ) Tuesday [27 August] so it can take effect on Sep. 10, Foreign Ministry Spokesman So dae-won said Monday.

The law will enable Seoul to have the exclusive rights to exploit maritime and seabed resources in areas up to 200 nautical miles of waters from its coastal lines, in

accordance with the United Nations Convention on the Law of the Sea.

The National Assembly ratified the law on the 200-mile EEZ presented by the government on Jan. 29.

The Japanese version of the EEZ law came into effect last July and China has also been preparing to introduce a similar law, So said.

South Korea held talks with Japan early this month to discuss the zoning of the EEZs in waters bordering the two countries. Similar talks will also take place in Beijing for two days from Tuesday.

South Korea will continue to negotiate with both Japan and China to set EEZ boundaries, the spokesman said.

**ROK: Bank of Korea Governor Speaks on Macroeconomic Policy**

SK2608005496 Seoul THE KOREA HERALD  
in English 26 Aug 96

p 8 — Generally pro-government English-language daily

[FBIS Transcribed Text] Korea will need to change its means of implementing macroeconomic policies if it is admitted to the Organization for Economic Cooperation and Development (OECD) next month, the head of the nation's central bank has proposed.

"Given Korea's commitment to open and liberalize its financial markets, it will be an important task for the government to alter its method for macroeconomic management and adopt an optimal mix of macroeconomic policies," Bank of Korea Governor Yi Kyong-sik said in a speech to a group of former cabinet ministers and vice ministers last Saturday.

The liberalized and deregulated financial markets will make such macroeconomic indicators as the exchange rate, interest rates and the money supply more interrelated.

The government will, therefore, have to put its macroeconomic variables in harmony with one another to run the economy more effectively, Yi said. The central bank governor, however, failed to specify how such an appropriate policy mix can be obtained.

Yi added that financial deregulation and opening may increase the volatility of local financial markets in the short run because domestic financial institutions should compete with foreign heavyweights.

In the long term, however, it will help local financial firms grow bigger through mergers and acquisitions, thus boosting their competitiveness, he said.

The OECD is scheduled to decide on Korea's entry into the Paris-based club of industrial nations late next month.

**ROK: Banks See Almost Three Trillion Won in Outstanding Debt**

SK2408031896 Seoul THE KOREA ECONOMIC  
WEEKLY in English 24 Aug 96

p 22 — Economic newspaper published by the HANGUK KYONGJE S

[FBIS Transcribed Text] The amount of guarantees banks have had to cover on behalf the clients who failed to honor their debts has snowballed since the beginning of this year, reaching almost 3 trillion won on an outstanding basis.

The combined amount 25 banks paid out to creditors reached 2.98 trillion won as of the end of June, up 437.8 billion won from the end of last year.

The six-month growth is almost double the 242.1 billion won recorded last year.

The 15 national banks had to pay out 2.59 trillion won and the 10 provincial banks took care of the remainder.

Banks' extension of loans without a considerable and thorough investigation of the borrower's credibility has been cited as the main reason for the sharp hike in payments on behalf of the borrowers.

Bank of Seoul topped the list with 552.4 billion won in paid out, followed by Commercial Bank of Korea with 518.6 billion won and Korea First Bank with 480.5 billion won.

The share of substitute payments on guaranteed loans among the total payment guarantee of 50.49 trillion averaged at 5.7 percent for the 25 banks. The share for Commercial Bank of Korea (CBK) and Bank of Seoul (BOS) were 15 percent and 12.8 percent, respectively.

**ROK: Banks See Rapid Rise in Non-Performing Loans**

SK2408032396 Seoul THE KOREA ECONOMIC  
WEEKLY in English 26 Aug 96

p 22 — Economic newspaper published by the HANGUK KYONGJE S

[FBIS Transcribed Text] Amid a chain of bankruptcies of domestic businesses, non-performing loans at domestic banks snowballed during the first half.

In a report on bad loans by commercial banks as of the end of June, the Bank of Korea stated that non-performing loans of the nation's 25 nationwide and provincial banks amounted to 2.69 trillion won, representing a growth of 17.6 percent from the end of last year.



Non-performing loans are regarded as losses, or doubtful to recovery.

The ratio of non-performing loans against total credit also edged up by 0.1 percentage point to 1.0 percent over the cited period.

Bankruptcies of some marginal companies and a boost of bad loans on credit card accounts were cited as main reasons.

Among nationwide banks, the non-performing loan ratio was the highest for Bank of Seoul with 2.7 percent (\$61.1 billion won), followed by Korea First Bank with 1.4 percent and Tongtwa Bank with 1.3 percent.

Provincial banks also saw their non-performing loans soar 27.9 percent, far exceeding growth rate of 16.0 percent for nationwide banks. In particular, underperforming loan growth was at a worrisome level at Kangwon Bank and Kwangju Bank.

#### **ROK: Domestic Economy Experiencing Slump Faster Than Expected**

SK2808012596 (Internet) The Digital Chosun Ilbo  
WWW in English 1202 GMT 27 Aug 96

[FBIS Transcribed Text] The domestic economy has entered a period of full-scale slump more rapidly than expected. The Bank of Korea Tuesday announced that the growth rate for the second quarter halted at 7.6%, 1.2% lower than that of the first quarter. The total growth rate recorded over the first half was 7.3%.

The second quarter's growth rate was well below the 7.0% originally forecast by the BOK and the growth rate over the first half failed to reach the government's projected 7.5%.

Growth rate of manufactured production during the second quarter was 6.5%, less than the first quarter rate of 7.8%, demonstrating the slowest increase in growth since the third quarter of 1993.

The rate of growth in the construction industry slid to 4.8% due to a slump in private construction.

While the growth rate is not low in comparison with that of advanced countries, an analysis of exports reveals the fall from 1995's 9% total growth rate to 7% during the first quarter and 6% during the second constitutes an unexpected deceleration of growth.

#### **ROK: Former Chief of KCIA Exonerated for Anti-Government Crimes**

SK2808012296 (Internet) The Digital Chosun Ilbo  
WWW in English 1200 GMT 27 Aug 96

[FBIS Transcribed Text] Former KCIA [Korean Central Intelligence Agency] Chief, Kim Hyong-uk, who

defected from Korea and was subsequently assassinated was Tuesday found not guilty by the Seoul District High Court of former charges in respect of which he was found guilty.

Kim was found missing on October 7 1979 in Paris and in March 1982 at an ex-pat hearing under the charge of breaching the Special Law Providing for the Punishment of Actions of an Anti-National Nature, Kim was found guilty and sentenced to seven years imprisonment. His public rights and entitlements were also suspended for seven years and all his personal assets were confiscated.

The Special Law was created in 1977 to punish Kim who had defected to the US in 1973 and engaged in anti-government activities.

Following the not guilty verdict there is a distinct possibility that Kim's family will be able to petition the government to reclaim Kim's assets, the total worth of which has been assessed at least 30 billion won.

Kim's wife commenced a challenge the constitutional validity of the Special Law after Kim Yong-sam came into power.

#### **ROK: Groups Fear Sentences' Effect on Businessmen's Morale**

SK2608114196 Seoul YONHAP in English  
1056 GMT 26 Aug 96  
— Semiofficial news agency of the ROK

[FBIS Transcribed Text] Seoul, Aug. 26 (YONHAP) — Key economic organizations on Monday expressed surprises at the prison terms handed down to the heads of some business conglomerates for giving money to the two disgraced former presidents.

In an official comment, the Federation of Korean Industries (FKI) feared that the sentences would work to sag businessmen's morale and deal a big blow against Korean industries' activities abroad.

"We all should endeavor together so that there won't be any recurrence of a similar misfortune," the FKI comment said.

The Korean Chamber of Commerce and Industry (KCCI) said in a comment the relatively heavy terms given to some businessmen may have an adverse impact on the already difficult economy of the country.

"We hope that some steps to boost businessmen's morale will be taken in the future course of trial," it said.

**ROK: Maritime Police Take Tuna Boat Mutiny Suspects Into Custody**

SK2808064496 Seoul YONHAP in English  
0542 GMT 28 Aug 96  
— Semiofficial news agency of the ROK

[FBIS Transcribed Text] Pusan, Aug. 28 (YONHAP) — South Korean Maritime Police officers have completed the necessary preparations to tow the mutiny-stricken Honduras-registered fishing boat, Pescamar, to Pusan, informed police sources here said Wednesday.

After completing negotiations with Japanese Maritime Safety Agency officials over the takeover of the boat, the officers, who arrived at sea some 63 miles northwest of Torishima Island aboard a salvage boat, 3001, early Wednesday morning, seized navigation records and diaries.

They questioned the suspected mutineers briefly to identify them and collected bloodstains and other evidence related to the mutiny.

Seven Korean-Chinese, complaining of ill treatment, reportedly killed 11 of the crew and threw their bodies overboard. Six have been apprehended and the missing one has been presumed dead.

They were known to have raised no objection to their guilt during interrogations conducted by the Japanese police.

After thoroughly frisking and handcuffing the suspects, police detained them in groups of two or three in holding cells on the patrol boat.

**ROK: Law on Exclusive Economic Zone To Take Effect 10 Sep**

SK2808034496 (Internet) The Joong-Ang Ilbo WWW in English 28 Aug 96

[FBIS Transcribed Text] The law on a 200-nautical-mile exclusive economic zone (EEZ) will take effect September 10 as its implementation rules were approved by the cabinet yesterday.

The Foreign Ministry said, "With the declaration of our EEZ, South Korea will have established the legal grounds on which it can exercise exclusive rights of sovereignty over the seas within the 200-nautical-mile EEZ."

**ROK: Prosecution To Begin Investigating Election Law Violators**

SK2408032596 Seoul YONHAP in English  
0244 GMT 24 Aug 96  
— Semiofficial news agency of the ROK

[FBIS Transcribed Text] Seoul, Aug. 24 (YONHAP) — The Supreme Public Prosecutor's Office instructed Saturday the start of a full-fledged investigation into lawmakers implicated for violating election laws during the April 11 general elections.

The directive was issued to all prosecution offices across the country in accordance with the announcement of the Central Election Management Commission (CEMC) Friday [23 August] of 20 legislators suspected of electioneering irregularities. Under the instruction, prosecutors are to summon related lawmakers, their campaign managers and accountants beginning early next week for questioning.

The CEMC announced that it would refer lawmakers and their aides to prosecutors who are suspected of exceeding the legal limit of campaign spending, offering gifts to voters or omitting their expenditures from their financial statements.

The prosecution will determine whether to indict them by the end of next month, an official said, saying that the number of people subject to the investigation totals 351, including nine incumbent lawmakers.

The CEMC released the list of violators after a three-month investigation into financial statements submitted by election candidates.

Should any incumbent politicians accused of election violations be convicted, they will automatically lose their parliamentary seats.

**ROK: Hanjin Group Selected To Build Airport Refueling Facilities**

SK2808014796 Seoul THE KOREA HERALD in English 28 Aug 96  
p 8 — Generally pro-government English-language daily

[FBIS Transcribed Text] The Ministry of Construction and Transportation yesterday picked up the consortium led by Hanjin Group as the successful bidder for the project to build and operate refueling facilities at the Incheon International Airport.

The announcement came as a surprise upset because the Kumho-Yukong consortium had been regarded as a strong candidate.

The announcement was meant to wrap up a month-long squabble for the project between the two rival conglomerates, Hanjin and Kumho groups which own two

national-flag carriers, Korean Air and Asiana Airlines, respectively .

As expected, however, Kumho Group is strongly protesting against the decision, vowing to fight to reverse it.

"We the Kumho-Yukong consortium, will use all possible means, including legal steps, to fight the decision," said a statement issued by Kumho Group.

The project is among the three auxiliary works for the new airport. While the successful bidders for the other two projects each for building an air cargo terminal for international flights and a power plant were made public July 4, the selection for the 100 billion-won (\$125.9 million) project was put off because of the strong protest from Hanjin Group.

Both projects each worth 34.3 billion won (\$44.4 million) went to the two consortia led by Kumho Group.

#### **ROK: Hospital Releases Cholera Victim Following Full Recovery**

SK2608110296 Seoul YONHAP in English

1046 GMT 26 Aug 96

— *Semiofficial news agency of the ROK*

[FBIS Transcribed Text] Seoul, Aug. 26 (YONHAP) —  
The only Cholera victim reported so far this year in the

country has been released from a hospital following full recovery.

A Health and Welfare Ministry official said Monday the man identified only as a Mr. Tang, 61, of Kimpo county, Kyonggi Province, has been cured and there is no more Cholera patient in the country. [sentence as received]

The official also said that the two men who took seafoods along with Tang near Inchon last Aug. 14 were checked and one of them, a Mr. Yi, age 37, was found to have been affected by Cholera germs.

But, Yi showed no Cholera symptoms at all, indicating that he had been cured by itself, the official added.



## Burma

### Burma: NLD Member of Parliament U Chit Khaing Resigns

BK2708152896 Rangoon Radio Myanmar in Burmese  
1330 GMT 27 Aug 96

[FBIS Translated Text] U Chit Khaing of the National League for Democracy [NLD], who was elected a member to the People's Assembly in Ngazun Township Constituency-1, Sagaing Division during the Multiparty Democratic General Elections, citing old age, poor health, and disinterest in party politics, has, on his own volition, submitted his resignation, and withdraws as elected representative.

The Multiparty Democratic General Election Commission has accepted his resignation effective today in accordance with Section 11, Subsection E of the People's Assembly Election Law.

### Burma: Khin Nyunt Tells Information Committee To Spread True News

BK2808013396 Rangoon TV Myanmar Network  
in Burmese 1330 GMT 27 Aug 96

[FBIS Translated Excerpt] A coordination meeting of the Information Policy Committee and the Information Committee was held at the Meeting Hall of the Office of the Army Commander in Chief at 1300 today. Lieutenant General Khin Nyunt, chairman of the Information Policy Committee and Secretary-1 of the State Law and Order Restoration Council [SLORC], attended the meeting and delivered an address. [passage omitted on attendees]

Lt. Gen. Khin Nyunt noted that the SLORC has formed the Information Policy Committee and the Information Committee to present genuine news about Myanmar [Burma] and has, as of this month, begun news briefings on the status of the country's political, economic, social, and international relations. He explained the need to deliver information to the world media about the country's true political, economic, and social conditions, and about the government's endeavors. Based on the erroneous information they have received through various means, the world media has been publishing and broadcasting erroneous news articles and commentaries about Myanmar. Citing democracy and human rights, these Western-influenced news agencies have issued fabricated news and have attempted to pressure Myanmar. Although Myanmar's present situation has changed vastly from what it was in 1988, certain Western-influenced news agencies have fabricated rumors that the situation is returning to that of 1988.

Khin Nyunt said false news about Myanmar was spread to the foreign media by internal groups opposed to the

government and by the expatriate groups abroad. These fabricated news were then published and broadcast by pessimistic Western-influenced news agencies. The [SLORC] Information Committee will hold monthly news briefings to present authentic news and the true conditions in Myanmar. Khin Nyunt remarked that the first news briefing was successful and that plans have been made to hold the second news briefing on 2 September. He then urged those in charge to continuously spread to the world the true facts and real news about Myanmar.

Lt. Gen. Khin Nyunt, SLORC Secretary-1, then answered questions raised at the meeting. The meeting ended in the afternoon.

### Burma: Rangoon Reports Sentencing of Insurgents

BK2808020996 Rangoon TV Myanmar Network  
in Burmese 1330 GMT 27 Aug 96

[FBIS Translated Text] It was learned that authorities took action against Win Htein [Aung San Suu Kyi's personal aide] and his associates for engaging in subversive acts to obstruct national peace and stability.

Win Htein, son of U Hla Tun, of 437-A, Mingyi Street, Insein township, organized and urged members and former members of the National League for Democracy [NLD] who came to the residence of Daw Aung San Suu Kyi at No. 54 University Avenue, Bahan township to collect and deliver information detrimental to national agricultural projects.

U Aye, former NLD member of No. 67, Bo Ba Htu Lane-3, Hlaing Thayar township and Htein Lin sent information on agriculture in townships of Rangoon and Irrawaddy Divisions and rumors and fabricated reports they heard in Hlaing Thayar to the residence of Daw Aung San Suu Kyi via Win Htein. Win Htein made arrangements to disseminate these reports to the crowd who gathered in front of Daw Aung San Suu Kyi's residence on Saturdays and Sundays.

Similarly, under arrangements made by Win Htein, Kan Shein, an NLD member and son of U Soe Hlaing of Pazundaung village, Henzada township and Hla Tun Aung, an NLD member of No. 766-B/20 Ingapu Street took video pictures of unsuccessful plots of land under summer paddy cultivation scheme and skipped pictures of successful plots with an intent to undermine national agricultural projects. They produced a propaganda video picture portraying summer paddy scheme by the farmers as a failure and sent it to Win Htein for viewing by Daw Aung San Suu Kyi and members of the NLD Central Executive Committee and planned to send it to the United Nations Human Rights Commission.

With Win Htein's help, Eba alias Tin Hlaing, who is temporarily living in Daw Aung San Suu Kyi's compound and who has been coached by Win Htein, held an interview with three ABC [Australian Broadcasting Corporation] correspondents including Evan Williams on 9 April 1996. In the video taken at the meeting, Eba, who covered his face with a handkerchief and wore a cap backwards, claimed that political prisoners were ill-treated in jail.

Hlaing Myint alias Billy McKenzie, son of U Harry McKenzie of No.76-A, Saya San Street, Bahan township, formed illegal youth organizations and organized some youths together with Maung Maung Wan and provided them with cash, documents, and cassette and video tapes with an intention to carry out antigovernment activities. He contacted U Kyaw Khin, an NLD member of Taunggyi and obtained from him television broadcasts from foreign stations and illegal video and cassette tapes. It has been learned that he engaged in subversive activity by distributing them through Maung Maung Wan.

They were found guilty of subversive activities and were sentenced by the Insein Township Court on 15 and 26 August 1996 respectively. Win Htein, Po Aye, Htein Lin, Hla Tun Aung, Kan Shein, and Eba were sentenced to seven-year prison terms under Section 5-J of the Emergency Provisions Act, while Hlaing Myint, Kyaw Khin, and Maung Maung Wan were sentenced to prison terms of seven years at hard labor under Section 5-J of the Emergency Provisions Act and three-year prison terms under Section 40 of the 1985 Television and Video Law.

**Burma: Editorial Hails Defense Services' Anti-Drug Activities**

*BK2708105796 Rangoon THE NEW LIGHT OF MYANMAR in English 25 Aug 96 p 6*

[Editorial: "Tatmadaw's Drug Bust for Humanity's Sake"]

[FBIS Transcribed Text] That the drug busts of the Tatmadaw [Defense Services] in the recent and distant past is part of the ongoing national campaign against the scourge that threatens humanity and the entire world is a fact that must be recognized by all who have witnessed such action.

Tatmadawmen [Defense Services personnel] going after the producers have sacrificed life and limb. Many precious lives of our young Tatmadawmen have been sacrificed in order that the multi-pronged action they take in going after those harming humanity.

The most recent bust was in Shan State from 7 to 15 August 1996 when men under Officiating Commander of the Tactical Operations Command of the North-East Command Lt-Col Soe Yi, together with intelligence units and Myanmar Police Force members hit the dens in the mountainous Kutkai Township and seized four refineries with a considerable number of paraphernalia and precursor chemicals.

These followed an earlier raid on a den some ten miles trekking distance from the Muse-Lashio motor road.

What is significant is that in the wake of the return to legal fold of 15 former armed groups and even men under U Khun Sa had surrendered unconditionally, the effort to bring them to book has not been relented.

Rugged terrain into which the Tatmadawmen and police have had to trek is a formidable challenge. Yet, risking life and limb, they have been continuing their good work.

In the border areas where access was difficult, there could not be a proper switch to a new livelihood. However, under the guidance of the Chairman of the State Law and Order Restoration Council, Senior General Than Shwe, crop substitution, generation of new job opportunities and a switch over to new lifestyle have been possible.

The Ministry of Progress of Border Areas and National Races and Development Affairs has been working overtime to bring modernization and development to these areas.

The Ministry, in coordination with other ministries and the Tatmadaw, has scored considerable success improving roads and bridges, building new ones, introducing new means of livelihood for the local people and other acts contributing to progress.

Every new hit, every nabbing of the miscreants, is a signal achievement for the national campaign against drugs and those who have sought to fatten their purses to the detriment of the innocent lives claimed by opium and its deadly derivatives.

More significant is the fact that we are doing our duty for the sake of mankind, the entire humanity, in combating the scourge.

## Brunei, Malaysia & Singapore

### Malaysia

#### Malaysia: Mahathir Returns From Four-Day Visit to China

BK2708140296 Kuala Lumpur RTM Television Network 1 in Malay 1200 GMT 27 Aug 96

[FBIS Translated Excerpt] Prime Minister Datuk Sri Dr. Mahathir Mohamed returned to Kuala Lumpur today after completing a four-day working visit to China. The visit was aimed at strengthening China-Malaysia ties.

Upon his arrival at the Sultan Abdul Aziz Shah Airport in Subang, Dr. Mahathir was welcomed by Deputy Prime Minister Datuk Sri Anwar Ibrahim.

During his visit to China, Dr. Mahathir held talks with his Chinese counterpart Li Peng and paid a courtesy call on President Jiang Zemin.

In conjunction with the visit, several agreements and memoranda of understanding on trade and economic cooperation were signed between China and Malaysia. [passage omitted]

#### Malaysia: Mahathir Comments on Ties With China, West

BK2808084896 Kuala Lumpur THE STAR in English 28 Aug 96

[Unattributed report — received via Internet]

[FBIS Transcribed Text] Petaling Jaya — Malaysia's close ties with China does not mean the country is less dependent on the West, Prime Minister Datuk Sri Dr. Mahathir Mohamed said yesterday.

He said Malaysia was friendly with countries who were friendly with it.

"China has not taken up issues with Malaysia like human rights abuse or the environment. They have not tried to preach to us on how to run our government, so we are friendly to them.

"We are not treating the West as our enemy. But sometimes they are too arrogant, teaching us how to develop our country when they cannot even administer their countries properly. It's difficult to have close ties with them," he told reporters at the Sultan Abdul Aziz Shah airport in Subang, on his return from China.

Dr. Mahathir said Malaysia wanted to trade with all countries, adding that the United States and Europe were important trading partners.

"But we also have the right to criticise their actions if they are wrong and praise them if they have done something positive," he said.

The Prime Minister also said that Chinese leaders strongly supported the Mekong Basin development plan.

#### Malaysia: Mahathir Comments on Ties With China, Spratlys Claims, APEC

BK2808104596 Kuala Lumpur NEW STRAITS TIMES in English 27 Aug 96 p 2

[Report by Zainon Ahmad in Beijing]

[FBIS Transcribed Text] Prime Minister Datuk Sri Dr. Mahathir Mohamed yesterday said a lot had been achieved in the relations between Malaysia and China, but more could be done to ensure greater benefits for them.

He said he was satisfied with what had been achieved so far but there should be greater two-way investments, trade and movements of people to bring the two countries closer.

"Only then can we be really complementing each other," he told a Press conference.

He conveyed this sentiment during his meeting with President Jiang Zemin in the afternoon and during bilateral talk with Prime Minister Li Peng earlier.

Dr. Mahathir, who was on a working visit, said he had a fruitful discussion with Li and members of his Cabinet on such issues as better communication, especially air transport between the two countries.

He said they also discussed the Malaysian-led Mekong Basin Development Project and the Chinese Government assured him of its support on projects such as a railway network for the region.

On international issues, the two leaders agreed that the forthcoming World Trade Organisation meeting in Singapore should avoid discussing non-trade issues, particularly making the linkage as a means to frustrate trade of many developing countries.

When asked for his views on the next century being labelled as a China Century and already many Chinese were nationalistic about it, he said he could not understand Western predilection about calling the next century as this or that country's or continent's century.

He said the next century seemed also to belong to Asia which conjured up images of a threatening continent especially to Europeans and Americans. China was singled out as a giant with 1.2 billion people consuming all the resources, including food of the world.

Dr. Mahathir said this kind of horror stories should not be bandied around.



He believed that China's progress towards becoming the greatest economic power would benefit everyone and, for that reason it was acceptable if anyone wanted to call the next century as the Chinese Century.

To a question on the Spratlys, he said the Chinese Prime Minister told him that the issue would be settled through negotiations which did not exclude multilateral negotiations.

On APEC, he said the two countries agreed that the forum should not just discuss the developing and opening of markets, but should also look at how the less developed members could be helped.

He said China had developed at a tremendous pace, adding that when he first visited it in 1985, Beijing was still a city of bicycles. But today the city had modern highways and more motor vehicles, a phenomenon seen everywhere in China.

### Cambodia

**Cambodia: Co-Prime Ministers Jointly Chair Cabinet Meeting 28 Aug**

*BK2808084196 Phnom Penh National Radio of Cambodia Network in Cambodian 0500 GMT 28 Aug 96*

[FBIS Translated Text] Prince Krompreah Norodom Ranariddh and Samdech Hun Sen, respectively first and second prime ministers of the RGC [Royal Government of Cambodia], jointly presided over a plenary session held by the Council of Ministers of the Royal Government of Cambodia on the morning of 28 August to examine documents relating to state budget management and fiscal policy implementation by state institutions.

According to a planned agenda, the cabinet discussed the draft legislation on the balance of the 1995 state budget, the implementation of the fiscal policy during the first six months of 1996, and a guideline circular on the preparations of the draft budget for 1997.

**Cambodia: Ranariddh: KR Defections Mark End of Intra-Cambodian War**

*BK2808083096 Phnom Penh National Radio of Cambodia Network in Cambodian 0500 GMT 28 Aug 96*

[FBIS Translated Text] His Excellency [H.E.] (Sobrito), Portugal's ambassador to Cambodia, paid a courtesy call on Prince Krompreah Norodom Ranariddh, first prime minister of the Royal Government of Cambodia [RGC], on the morning of 28 August to reaffirm the position of the Portuguese Government toward the Kingdom of Cambodia. The envoy told the prince that his government is delighted to support the RGC in the

process of national development and unification. He requested that the relations between the two countries be reinforced further.

Portugal is one of the 12 European Union member countries which have given aid to the restoration and redevelopment of Cambodia. The Portuguese Government appointed H.E. (Sobrito) as ambassador to Cambodia on 25 June 1996.

In his reply, Prince Krompreah Norodom Ranariddh asked the Portuguese Government to assist Cambodia in the education sector and in human resources development. He said the rally to the RGC of a group of repentant Khmer Rouge marks an end to the intra-Cambodian war.

**Cambodia: Prince Ranariddh Criticized for Changing Attitude on Ieng Sary**

*BK2708003596 Phnom Penh CHAKKRAVAL in Cambodian 22 Aug 96 pp 1, 4*

[Report by Sophanit]

[FBIS Translated Text] Last week, reacting to Samdech Hun Sen's move to welcome Ieng Sary's return to Cambodia as a civilian and to guarantee Ieng Sary's security, Prince Ranariddh said: I am opposed to the permission for Ieng Sary to return to the national community. Pol Pot, Ieng Sary, and their six accomplices should not be allowed to return.

Earlier this week, however, the prince changed his mind and said: No one can pardon Ieng Sary. Only the king has the right, according to the Constitution, to forgive the Khmer Rouge [KR].

Politicians have criticized Prince Ranariddh for his abrupt turnabout and inconsistent statements, whispering that the prince appears to be narrow-minded regarding the process of reconciling Cambodians.

Li Thuch, personal secretary to the prince, said yesterday that Prince Ranariddh had agreed with Samdech Hun Sen to seek a common solution with Ieng Sary.

The prince's action has prompted Cambodia watchers to openly criticize him and FUNCINPEC [National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia] for having no clear-cut policy.

Between 21-23 March, Prince Ranariddh blatantly and shamelessly declared that he would dissolve the Royal Government [RG] and National Assembly and withdraw from the RG. Nevertheless, after being shamefully defeated, he finally turned to saying: Let us achieve national reconciliation. Let us put an end to bickering.

Anyway, now the prince objects when Ieng Sary wants to reconcile with the RG.

The prince's changeable statements concerning Ieng Sary might be a pretext or a strategy to block the compromise process in order to coerce Hun Sen into sharing with him the benefits resulting from persuading the KR into breaking away. We should wait and see how the prince acts next week regarding Ieng Sary's fate.

**Cambodia: Khmer Rouge Minister on Reaction to Expanded Cabinet**

BK2708020296 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 2330 GMT 26 Aug 96

[Interview given to an unidentified station correspondent by Tep Khunnal, minister in Charge of Solving the Nation's Territorial Integrity, Sovereignty, and Frontiers and representative of the Provisional Government of National Union and National Salvation of Cambodia, on 26 August cabinet meeting; recorded]

[FBIS Translated Excerpt] [Passage omitted] [Correspondent] I would like to ask another question. On 19 August, that is, last week, His Excellency [H.E.] Prime Minister Khieu Samphan announced the expansion of the Provisional Government of National Union and National Salvation [PGNUNS]. Do you know whether there has been any reaction since then?

[Tep] Thank you. There are two categories of reaction. One is the enemy's reaction and the other is from our nation and people. The enemy's reaction is that they have lost more initiative politically. Our nation and people and the world have clearly seen that the two-headed government is collapsing and falling apart because Hun Sen has done away with the FUNCINPEC [National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia], while our PGNUNS has been continuously consolidated and expanded. That is the reaction from the enemy side. As for our nation and people, as you know, we have received letters from many circles in Phnom Penh and the provinces. Our radio has broadcast these letters successively. They wrote to voice support for us and express their delight. They said that they had nothing else to rely on. The communist Vietnamese and Hun Sen tightly control the king. They have done away with the FUNCINPEC and H.E. Son Sann's party. They have expelled Prince Sirivut and kept attacking H.E. Sam Rangsi's party. This is why the fraternal people from all walks of life have turned to our government; they are very happy and satisfied to see that we have upheld our banner of fighting resolutely. They have joined and are joining us in waging all forms of

struggle everywhere so as to jointly realize our sacred goal.

Our goal is to continue struggling until we achieve a genuine Cambodian nation, until we have a Cambodian state that genuinely belongs to our nation and our people.

**Indonesia**

**Indonesia: Molotov Cocktail Thrown at U.S. Consulate in Surabaya**

BK2808075496 Jakarta MEDIA INDONESIA in Indonesian 28 Aug 96

[Unattributed report — received via Internet]

[FBIS Translated Excerpt] Surabaya (MEDIA) — A molotov cocktail exploded at the United States Consulate General on Jalan (road) Dr. Sutomo Surabaya. A man who hurled the bomb is now wanted by the authorities.

No one was hurt in the incident but the security guards' post and the fence were burned. The police are still hunting for the culprit, believed to be a person of Arab descent.

According to information gathered by MEDIA at the site of the incident, there was a heavy traffic jam along Jalan Dr. Sutomo Surabaya at about 1000 West Indonesian Standard Time [0300 GMT] yesterday. Amidst the hassles of the traffic congestion, a man about 40 years old, emerged from the crowd and walked towards the U.S. Consulate.

According to normal procedure, all visitors to the consulate general are required to register their names. The man appeared to be watching closely the conditions around the consulate general and the duty security guard, Wulyadi, did not suspect anything. Wulyadi just allowed the man to study the premises from outside the fence.

Moments later, the man went near the fence in front of the consulate general's office and yelled out words expressing his disappointment with the U.S. treatment. However, he did not say what issues made him feel disappointed.

As he yelled out his complaints, he hurled a molotov cocktail towards the security guards' post. The missile that was made from a bottle exploded immediately, breaking to pieces and igniting the fence. Upon seeing the incident, the duty security guard ran inside the consulate general to report to the front office personnel. [passage omitted]

**Indonesia: Jakarta, Tashkent Sign Accords To Boost Trade**

*BK2808021496 Jakarta Radio Republik Indonesia Network in Indonesian 0000 GMT 28 Aug 96*

[FBIS Translated Text] Indonesia and Uzbekistan have signed an agreement on the avoidance of double taxation and the prevention of avoidance of income tax as well as an agreement on the promotion and protection of foreign investment. The two agreements were signed by Ali Alatas, Indonesian minister of foreign affairs, and Viktor Chzhen, deputy prime minister of Uzbekistan, in Jakarta. The agreements are expected to lay the basis for further increasing trade and investment between the two countries so that the economic benefit of their relations will be felt.

Uzbekistan is the 33rd country to sign an agreement on the avoidance of double taxation and the prevention of avoidance of income tax with Indonesia. That country is the 29th country to sign an agreement on the promotion and protection of foreign investment with Indonesia since the Foreign Investment Law took effect here in 1967.

**Indonesia: ABRI Willing To Deal If Megawati Withdraws Civil Suit**

*BK2708141096 Jakarta REPUBLIKA in Indonesian 27 Aug 96*

[Unattributed report — received via Internet]

[FBIS Translated Excerpt] Jakarta—Lieutenant General Syarwan Hamid, head of ABRI [Armed Forces of the Republic of Indonesia] sociopolitical affairs, has said that the ABRI is willing to reach an out-of-court settlement with Megawati regarding her civil suit. "The ABRI is ready to discuss measures to reach an agreement, but Megawati should withdraw her civil suit."

Syarwan Hamid said that the ABRI agrees in principle to the proposal from a panel of judges calling on Megawati, the plaintiff, and the defendants—Fatimah Akhmad and the other Indonesian Democratic Party (PDI) members of the Group of 16 who engineered the Medan congress, the organizers of the Medan congress, the PDI Central Executive Council during the Medan congress, the home affairs minister, the armed forces commander, and the police chief—to pursue a deal.

Syarwan Hamid said, however, that negotiations should be held to seek ways to reach an agreement. He said the ABRI wanted Megawati to withdraw the suit. "That is one of the conditions for the deal. The lawyers will explain the other technicalities," he said during a break at the national dialogue session yesterday.

According to Syarwan Hamid, there had been no negotiations thus far on how to reach an agreement between Megawati's camp and its opponents. At the same time, he added that the two sides had never held any informal discussions like the discussion held at the Kasasuki restaurant in Jakarta on 25 August between the lawyers representing Megawati, Suryadi, and the home minister.

Syarwan Hamid said: "In my opinion, an informal discussion, held either at a restaurant or elsewhere, is only a technical issue. He admitted that such a place is good for meetings to discuss points of agreement that would be conducive for dialogue. He admitted, however, that he did not know if the lawyers had already discussed these measures.

Syarwan Hamid had rejected the possibility of ABRI taking the initiative to offer a deal through an informal meeting. "The panel of judges offered the deal, so we accepted it," he said.

Syarwan Hamid said there should be negotiations on the points of the agreement; it is clear "we did not offer to make any deal."

R.O. Tambunan, leader of Megawati's team of lawyers, said after the meeting at the Kasasuki restaurant that a third informal meeting with Suryadi's lawyers had been scheduled for 27 August. The first informal meeting was held 23 August. Tambunan said an informal meeting with the lawyers of two defendants, the armed forces commander and national police chief, respectively, will probably be held on 28 August.

Responding to journalists' question on the judges' offer of a deal between him and Megawati, Suryadi, general chairman of the PDI central executive council elected during the Medan congress, said: "The deal does not imply peace between me and Megawati; it is a deal between our lawyers."

"I have confidence in the lawyers regarding anything that they decide to do," Suryadi told journalists in Mataram yesterday. He had refused to answer questions on whether or not he would proceed with the trial in response to the plaintiff's suit.

On the presence of Megawati's camp in the PDI, Suryadi said there would be no purging of members. The reason is the PDI is not characterized by an individual or orientated toward only one person. [passage omitted]



## Philippines

### Philippines: ASEAN Urged To Unite on EU, U.S. Trade Barrier Issues

BK2808051196 Manila BUSINESS WORLD  
in English 28 Aug 96

[Unattributed report — received via Internet]

[FBIS Transcribed Text] The Association of Southeast Asian Nations (ASEAN) should take a strong collective stand in response to European Union's (EU) policies on canned tuna and vegetable oil imports as well as the United States policies on prawn imports, a high-ranking official of the Department of Agriculture (DA) said last Monday.

Agriculture Undersecretary Joemari Gerochi, who spoke before delegates of the 18th ASEAN Ministers on Agricultural and Forestry (AMAF) meeting, said ASEAN has become one of the fastest growing regions in the world today. "But this is not the time to be complacent," he said.

Mr. Gerochi emphasized that while trade and investment liberalization is taking great strides forward, some developed countries are using technical barriers to "frustrate" free trade to the detriment of ASEAN members.

Agricultural exports from Southeast Asian countries are facing higher tariffs under a new Generalized System of Preferences developed by the EU.

The US, meanwhile, has imposed a ban on importation of prawns from countries in the region which do not use turtle-friendly technology.

He explained that given the extent and pace of economic changes occurring globally, there remains a need for ASEAN countries to constantly reassess the form, extent and direction of the cooperation in the areas of agriculture, forestry and fisheries.

### Philippines: Development Projects Worth 5.7 Billion Pesos Approved

BK2608100096 Manila PNA in English  
0330 GMT 26 Aug 96

[Unattributed report — received via Internet]

[FBIS Transcribed Text] Manila, Aug. 21 (PNA) — The National Economic and Development Authority (NEDA) Board, chaired by President Ramos, has approved during its monthly meeting in Malacanang [presidential palace] three development projects with a combined cost of P [pesos] 5.7 billion.

Approved projects were the Second Subic Bay Freeport Project, the Water Resources Development Project and

the Detailed Engineering for the Batangas Port Development Project Phase II.

The P3.03-billion Subic Bay project aims at providing water resources to the area, develop a new dump site, and purchase equipment for waste collection and landfill operations.

It seeks to improve roads and bridges, conduct an engineering study for the Dinalupihan-Castillejos bypass road and develop a Geographic Information System for Subic. It will also provide technical assistance and consultants to the Subic Bay Metropolitan Authority (SBMA).

The P2.81-billion water resources project would address concerns regarding river basins; integrate land use policies and agricultural practices with water management; and ensure the proper maintenance of watersheds for irrigation; improve water quality; and protect aquatic ecosystems.

The project has five components addressing the following concerns; water resources planning and management; catchment management improvement; systems improvement and repair; institutional strengthening of the National Irrigation Administration (NIA) and irrigators' associations; and environmental improvement.

The third project was the second phase of the Batangas Port Development Project costing P2.5 million. The project was approved by the Board last May 14. The second phase of the detailed engineering design for the port includes the consulting services and drafting and finalization of the service study.

### Philippines: De Villa Assures Business Sector of Improving Security

BK2708031796 Manila BUSINESS WORLD  
in English 27 Aug 96

[Unattributed report — received via Internet]

[FBIS Transcribed Text] Defense Secretary Renato de Villa yesterday told members of the Management Association of the Philippines (MAP) the final signing of the peace agreement between the government and the Moro National Liberation Front (MNLF) in Jakarta, Indonesia is not the end of the country's security troubles.

In an open forum, Mr. de Villa said Mindanao is still threatened by the Moro Islamic Liberation Front (MILF) and other Muslim rebel groups against the peace agreement. "We are closely watching the situation. There are still some groups such as the terrorist group Abu Sayyaf which are still scattered in some islands in Mindanao," he said. He added the government is yet to

discuss with the MILF possible peace negotiations next year. Earlier, the MILF said it will decide whether to accept the peace offer of the government a year after the establishment of the Southern Philippines Council for Peace and Development (SPCPD).

The Defense chief admitted the MILF, Abu Sayyaf and the Islamic Command Council are still armed with "up-to-date" weapons which could be used against government troops securing Mindanao. However, Mr. de Villa clarified the final peace agreement between the MNLF and the government to be signed this week, will effectively neutralize the biggest threat to national security so far.

#### **Philippines: Panel To Include Senate Recommendations in MNLF Talks**

*BK2708013096 Quezon City GMA-7 Radio-Television Arts Network in Tagalog 2230 GMT 26 Aug 96*

[FBIS Translated Text] Malacanang is confident all issues in the peace agreement with the MNLF [Moro National Liberation Front] will be implemented within President Ramos's term, including those needing congressional action. Presidential Legal Counsel Renato Cayetano said that the draft proposal of final peace agreement will be submitted to Congress next year. However, Cayetano warned that if Congress dismisses the peace agreement, Malacanang would not have any choice but to yield to Senate's demands in order for peace agreement to be passed.

Meanwhile, the government panel is now in Jakarta, Indonesia for the final round of peace talks. Earlier, President Ramos instructed the government panel to include Senate's recommendation in the final phase of the talks.

[Begin Ramos recording, in English] Yes, I issued a statement this afternoon, I think you must have received that by now. But the idea is to work out with the MNLF panel at the level of the working group because we still have about three days to accommodate as much as possible the recommendations of the Senate committee as a whole. On the other hand, what is do-able by the president, well we are starting to do it already. [end recording].

#### **Philippines: Fourth, Final Round of Talks With MNLF Starts**

*BK2808035996 Quezon City Radio Filipinas in English 0230 GMT 28 Aug 96*

[FBIS Transcribed Text] The fourth and final round of peace talks between the government and the MNLF [Moro National Liberation Front] rebels takes-off in Jakarta, Indonesia today with the GRP [Government of

the Republic of the Philippines] panel head seeing no hitches in the negotiation.

Presidential Peace Adviser Manuel Yan said both panels have surmounted all the problems except for a few last minute details. These include arrangements for MNLF fighters not being integrated into the AFP [Armed Forces of the Philippines] and the disposal of their weapons. The GRP panel headed by Ambassador Yan and their MNLF counterparts led by Chairman Nur Misuari will hold a meeting today and a fourth and final round tomorrow.

In today's talks the two sides are expected to forge a final peace agreement settling the armed conflict in Mindanao. Executive Secretary Ruben Torres said both panels are hopeful the agreement will be arrived at by the scheduled initialing date on 30 August. Secretary Torres and representatives of the Organization of Islamic Conference will be among those who will attend today's historic meeting.

### **Thailand**

#### **Thailand: 'Goods in Transit Deal' Sought With Singapore**

*BK2808041996 Bangkok BANGKOK POST in English 28 Aug 96 p 4*

[Report by Phanrawi Tansuphanphon]

[FBIS Transcribed Text] Thailand has proposed to Singapore that the two countries work on a goods-in-transit deal to permit the free flow of goods.

The proposal was put forward during yesterday's meeting between Foreign Minister Amnuai Wirawan and Singapore's Commerce and Industry Minister Yeo Cheow Tong.

Mr. Yeo heads a 60-member Singaporean businessmen delegation on a five-day official visit to survey trading opportunities in Thailand. The visit ends on Saturday.

Mr. Yeo agreed to Mr Amnuai's proposal. "Thailand and Singapore," he said, "want to see how land transportation for flow of goods can be facilitated between the two countries and between other ASEAN countries."

The agreement, if reached, will allow overland passage through the two countries.

Thailand has such a deal with Malaysia and is thought to have the same bilateral agreement with Laos.

Thailand is pressing on with its proposal at the ASEAN Foreign Ministers meeting last month to have a regional agreement concerning the free flow of goods and people

among ASEAN member states so as to comply with the ASEAN Free Trade Area (AFTA) scheme.

Mr. Annalai said the issue will be tabled at the ASEAN Economic Ministers meeting in Jakarta next month.

ASEAN comprises Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

Singapore also expressed an interest yesterday in cooperating with Thailand in joint investment in third countries such as Cambodia, Laos, Vietnam, Burma and India, said Mr. Yeo.

Both sides agreed to promote tourism cooperation, both by exchanging experience and disseminating information on investment in the tourism industry between the two countries, and by doing joint promotion in third countries, he said.

On cooperation in agriculture, the two sides will work on how to increase the supply of food products from Thailand to Singapore, he said.

#### **Thailand: Future of Thai Exports Examined**

*BK2608045896 Bangkok THE NATION in English  
26 Aug 96 p A4*

[Article by Phana Chanwirot in "Towards The Millennium" column, entitled: "What Future for Thai Exports?"]

[FBIS Transcribed Text] Great concern has been expressed over the performance of the Thai export sector and its outlook for the next few years.

Some have tied the slowdown in export growth to political turmoil and the lack of proper economic management by the government over the past 13 months.

Others have said Thailand actually has not done too badly, with respect to its rivals, as the decline is a regional phenomenon. Still others think there are strong fundamental reasons for the worsening performance of Thai exports.

Major Thai banks agreed on Thursday to conduct a series of studies to find out why the Thai export sector is not doing as well as in the past.

This is in conjunction with a slowdown in bank lending in the first half of this year.

Earlier, the government agreed to set up a subcommittee to evaluate what assistance should be forthcoming to the export industry.

Nevertheless, these seemingly late reactions to the export slowdown have raised questions of whether those concerned have focused on the right areas and whether

the eventual responses will be a case of too little and too late.

Exports have undoubtedly been one of the main reasons behind the healthy growth of the Thai economy over the past two decades.

There are a number of factors behind this success, such as the abilities of Thai businesses and entrepreneurs, low and competitive wages, investment incentives granted by the Board of Investment to export projects, and a carefully-crafted monetary policy aimed at helping exports by keeping the value of the baht from becoming too strong against foreign currencies.

Luck has also been a part of the equation due to the rising value of the yen which resulted in significant investment by Japanese firms.

Exports grew by leaps and bounds perhaps even too fast and too high. There were costs that came with the export boom such as infrastructure bottlenecks, environmental degradation, and the excessive pace of wage increases throughout all professions.

But everybody has been well aware of the problems of sustaining high export growth as wages were rising very quickly. Infrastructure was a hindrance and becoming expensive; the tax structure was not in place to help strengthen the competitiveness of several export sectors; and there was too little support for industries that could nurture backward integration and increase domestic value-added production. Even keeping the baht's value competitive was not a sure thing given increasing globalisation. Therefore, there were both internal and external factors. There were problems that could be rectified by the government and businesses, and then there were other problems beyond their control such as global production shifts and the world economic situation.

Some remedies could be applied quickly but others — such as manpower training and investment in research and development — will take a generation or more to yield results.

Sadly, the country has lost its grip on the overall picture. It is easy to blame the government; but even the private sector does not take seriously manpower training and corporate restructuring to stay competitive.

Many Thai companies have been slow to change. The habit of following the herd, such as speculative investment in property, remains.

The industrialists have also not worked hard enough to help the Finance Ministry resolve the tax discrepancies which have been a source of conflict between various



stages of production. R&D remains a concept and not a necessary action in the minds of businessmen as well as the public sector.

Both the public and private sectors must equally share the blame for the lack of serious attention paid to the future of the Thai economy. The Federation of Thai Industries and the Board of Trade must become more assertive in bringing together the conflicting sides and push through the long-delayed tax restructuring.

They must not take factionalism and politics in state agencies for granted. They must be more assertive in condemning the involvement of big telecom firms in manipulating politicians to such an extent that competition is not nurtured and transparency not forthcoming in an era where business patronage ought to be a thing of the past. They must help the government, no matter how bad it is, to get its act together in regard to economic management. Everyone seems to have given up on this government and also given up on their essential responsibilities to the economy.

In the final analysis, the economic well-being of the nation requires the participation of all. It is something that cannot be resolved by any one-stop-shop measures.

Instead, a variety of actions are needed. This government has failed to do its job of coordinating the management of the economy, and the private sector has been too complacent to put the fire out before it spreads.

In between, business and the public have lost confidence in state agencies to steer a proper policy direction.

The Bank of Thailand in the first half of this year was gripped by scandal. The Finance Ministry has not been able to break through the delays to the tax restructuring so that the costs of intermediary products are brought down because no one has the political muscle and vision to mobilize the industries.

The Commerce Ministry has thought small rather than dynamically. It knows many of the problems facing the export sector, of which many are outside its control.

The Commerce Ministry is like the Tourism Authority of Thailand, which saw that environmental degradation was a threat to the future of Thai tourism, but did not have the courage to raise awareness of the problem or provoke proper action from other agencies until it was far too late.

It is not an exaggeration to say that both the Commerce Ministry and the International Economic Relations Committee have failed to adopt a responsive attitude.

They have become like turtles — preferring to hide in their shells rather than face the real world.

They, and everybody else, including the bankers, the politicians and even business people were swept away by the tide of concern over the current account deficit.

Even now they follow what most concerns the brokers and foreign financiers: the external account.

The current account deficit is a trap that leads to nowhere because the measures required to rectify the situation are defensive in nature.

Everyone has shied away from taking offensive strategies which are more risky in nature, both politically and economically.

Finding that kind of leadership both within the public and private sectors should be the number one priority because it is quite obvious what must be done to develop and sustain the export industries.

#### **Thailand: Cabinet Approves Bill Ending Telecommunications Monopoly**

*BK2808084596 Bangkok Radio Thailand Network in English 0000 GMT 28 Aug 96*

[FBIS Transcribed Text] The cabinet during its meeting yesterday approved two major draft bills, one on telegraph and telephone, and another on the formation of the national communications committee. The draft bill on telegraph and telephone aims to scrap the monopoly of state telecommunications business and allow competition in line of the policy of liberalization in the telecommunications business.

The draft bill on the formation of the national communications committee calls for the establishment of a central organization to oversee and promote Thailand's telecommunications business in line with the master plan on telecommunications development.

#### **Thai Editorial Says Constitutional Reform 'Back to Square One'**

*BK2608055196 Bangkok THE NATION in English 26 Aug 96 p A4*

[Editorial: "We're Back to Square One With Charter Deal"]

[FBIS Transcribed Text] Should last Thursday's decision by parliament to merge the versions of the proposed constitutional amendment be called a "compromise"? To a certain extent, yes. But "a return to square one" may be a more appropriate description.

From the beginning, it has been clear personal agendas, expedience, and vengeance were entangled with the push for constitutional reform. That is why what initially

looked like readiness to make a leap of faith turned into a complicated deal among MPs, senators and academics.

After months of wrangling and double-crossing, parliament voted on Thursday to keep its influence in the future adoption of a new charter, although it agreed to accommodate a radical proposal to set up a Constitution-drafting "assembly" that would exclude MPs and senators.

Parliament voted to empower itself to elect members of the drafting assembly and to veto the latter's draft of a new Constitution. A veto means the draft would be decided by a public referendum.

Opposition MPs decried it as just another form of political domination of the Constitution-making process. Their protest is justified by the simple fact that whoever controls parliament will be able to influence the composition of the drafting assembly, and thus dictate its work.

It is an ironic anti-climax to the political reform drive, which started with hardliners calling for a brand new charter written exclusively by the House of Representatives, with the Senate barred from the process.

The origins of the reform drive go back to May 1994 when former MP Chalot Worachart staged a hunger strike to demand a controversial package of reforms.

Angry with the Senate for its conspiracy with the Chat Thai-led opposition to kill the Chuan government's eight charter amendment bills, Chalot vowed to fast to death unless a new Constitution was adopted.

When Chamlong Simuang, then a politically-influential figure, threw his support behind Chalot, things became more complicated, and suddenly the Chuan administration was under pressure to comply with the activist's demand.

The move by Chamlong and his most loyal followers in the Phalang Tham Party (PDP) threatened to tear the PDP apart and bring down the coalition government.

On June 8, 1994, the pro-Chalot movement organized the biggest anti-government rally since 1992. In an atmosphere that eerily resembled the anti-Suchinda protests before they exploded into the mass uprising, lines of stern-faced police commandos kept vigil while demonstrators lambasted the "angelic" Chuan government.

Yielding to pressure, parliament set up a committee, chaired by well-known academic Prawet Wasi, to study various options to reform Thai politics. The Prawet committee came up with a bombshell proposal — calling for the drafting of a new charter by a compact group of academics selected by former prime ministers.

After the Chuan government crumbled, Chat Thai leader Banhan Sinlapa-acha, seeking to justify his emergence as the top prime ministerial candidate, made an election vow to follow up on the Prawet committee's idea. The pledge became a political joke — given his party's association with corruption scandals and vote-buying — but the pressure mounted anyway for Banhan to keep his promise.

He named his brother, Chumphon Sinlapa-acha, to chair a Political Reform Committee (PRC). The PRC modified and altered the Prawet committee's idea, proposing a 67-member Constitution-drafting committee comprising the incumbent prime minister, opposition leader, Parliament president, Supreme Court president, political parties' representatives, academics and public representatives.

After the Banhan government submitted its charter amendment bill based on the PRC's recommendations, the bill easily cleared its first parliamentary reading. But the joint House-Senate committee set up to vet it altered the draft drastically, this time proposing an election of 76 draftsmen, one from each province.

The Democrat-led opposition played along with the joint committee, despite the fact that Democrat leader Chuan Likphai has been a staunch advocate of "parliamentary democracy". Critics have said that this drafting assembly violated the three-branch democratic principle of the country.

At the same time, the Senate capitalised on the government-opposition split, asserting itself as the sole decisive factor.

It must be noted here that the Chalot saga followed unsuccessful attempts to neutralise the Senate, which in 1994 was described as a "medium" of the military junta NPKC [National Peacekeeping Council].

Today, we are back where we started. The Senate remains a force to be reckoned with. Political influence will continue to dictate the future of the constitutional amendment or the writing of a new charter. And we should brace ourselves for more irony if votebuying and cronyism plague the formation of the drafting assembly.

Pondering all this, tough questions may flash across one's mind: Do we really need to reform our charter? Is it ourselves, rather than anything else, that actually need reform?

It is not too difficult to write a perfect Constitution. All we need is a panel of qualified and sincere experts, whoever they are.

But — like classic novels which are nothing without appreciative readers — an ideal charter cannot exist

without citizens who are prepared to ensure it reflect their interests.

**Thailand: Chawalit Hits at Military Reshuffle 'Surprise'**

BK2408141396 Bangkok *THE NATION* in English  
24 Aug 96 pp A1, A3

[Unattributed report]

[FBIS Transcribed Text] Defence Minister Chawalit Yongchaiyut yesterday said a "surprise" choice might emerge as the new Army commander, further fuelling speculation surrounding the succession of the leader.

Chawalit, however, said that the armed forces' recommendations for the annual reshuffle had not reached his office.

"Normally, a document as important as the rotation list will be personally carried by the supreme commander himself," said Chawalit, who vowed to take only one day to finalise the selection of key military leaders.

Supreme Commander Gen. Wirot Saengsanit and outgoing Army Commander Gen. Pramon Phalasin are allegedly at logger heads because of Wirot favouring the promotion of Assistant Army Commander Gen. Thawan Sawaengphan, contrary to Pramon's choice of Deputy Army Commander Gen. Chettha Thanacharo, according to press reports.

A source close to the defence minister revealed yesterday that Chawalit may select Armed Forces Chief of Staff Gen. Mongkhon Amphonpisit as a compromise choice to head the Army, should the disagreement between Wirot and Pramon linger on.

Pramon, who reaffirmed his recommendations in the Army promotion list, yesterday played down the alleged rift with the supreme commander, expressing full confidence in the judgment of his superiors.

"Gen. Wirot is a considerate (superior) who always accords due honour to me," Pramon said. "Mutual trust is needed, and I am not aware of any alteration to the recommendations in the Army reshuffle list".

Pramon had recommended the promotions of Chettha to the top Army post, Thawan to the deputy Army commander slot, Fourth Army Commanding General Panthep Phuwanatnurak to assistant Army commander and Gen. Chokchai Hongthong to become the Army chief of staff, according to recent press reports quoting military sources.

Wirot, however, had made several revisions, which should include the promotions of Gen. Surayut Chulanon and Gen. Samphao Chusi to assistant Army com-

manders in addition to appointing Thawan, Gen. Budit Marai-arison and Gen. Chan Bunprasoe to become Army commander, deputy commander, and chief of staff, respectively, the press also reported based on inside sources.

Leading Army figures yesterday turned out in what military observers termed a show of force to wish key Army commander candidate Chettha a happy birthday.

About 500 well-wishers consisting of military officers, ranking government officials and businessmen showed up at the event.

Key military generals present at the party included Gen. Winit Krachangson, Gen. Thanom Watcharaphuk and Panthep, commanding generals of the First, Third and Fourth Army regions, respectively. Gen. Paeng Malakun na Ayuthaya, deputy Army chief of staff, and Gen. Chalong Yaemsaso, commanding general of the Special Warfare Command, were also present.

Chettha warned reporters not to read too much into the large turn-out for his birthday celebration. The gathering was only among military brothers who adhere to discipline, he added.

Military officers always obey orders from their superiors, and there is no misunderstanding over Army appointments as the press has been speculating, the leading candidate to lead the Army said.

Winit commented that the large turn-out of well-wishers was normal as subordinates have annually organised a celebration for the general every year.

Winit declined to comment on the pending Army reshuffle, saying the final decision rests with the defence minister.

Military top brass led by Chawalit yesterday called on Privy Councillor Gen. Prem Tinsulanon to wish him happiness in advance of his birthday on August 26.

Prem advised Chawalit to act as a "brotherly pillar" for the development of the armed forces.

Chawalit has been entrusted to ensure that the armed forces continue to be a proud, strong, and honourable institution for the benefit of the people and the monarchy, Prem said.

Chawalit must see to it that his younger military subordinates realise their career goals in a just manner the Privy Councillor added.



**Thailand: Banhan To Face Two-Day Censure Debate 18-19 Sep**

BK2708025996 Bangkok BANGKOK POST  
in English 27 Aug 96 p 3

[Unattributed report]

[FBIS Transcribed Text] The censure debate against the prime minister will be held on September 18-19, the coalition parties decided yesterday.

The debate, initially scheduled for September 11, was put off to accommodate deliberations on the amendment of Article 211, expected to end on September 14, said Deputy Prime Minister Amnuai Wirawan.

The Nam Thai leader expected the opposition to accept that two days would be enough for the debate and he dismissed suggestions the coalition would drag out deliberations on Article 211 to spare Banhan Sinlapa-acha a grilling.

Chat Thai secretary-general Sano Thianthong, assigned to gather material to counter the opposition, was confident Mr. Banhan could clarify all allegations.

House Speaker Bun-ua Prasetsuwan, who formally scheduled the motion for September 18, said there should be no change even though it could clash with two international parliamentary meetings.

His remark came after the government spokesman said the debate was likely to be postponed to September 25 because of the meetings from September 15-21 in Beijing and September 16-21 in Phuket.

The meetings would have no impact on the censure debate because only a small number of MPs would take part, said Mr. Bun-ua.

In its motion, the opposition accuses Mr. Banhan of inefficiency, ineptitude, administrative failings, cronyism and corruption.

**Thailand: Banhan Seeks Chat Thai Support in Censure Debate**

BK2808030696 Bangkok BANGKOK POST  
in English 28 Aug 96 p 3

[Report by Somchai Misane]

[FBIS Transcribed Text] The prime minister showed signs of worry yesterday when he appealed to his Chat Thai Party to back him in the censure attack.

Banhan Sinlapa-acha predicted a struggle in the debate set for September 18-19 but said his survival would herald the end of his political woes.

Mr. Banhan expected harsh attacks based on unfounded accusations and said the Opposition would raise personal affairs.

This, he said, was the last crucial obstacle facing the Government and if he prevailed, he would lead it into a problem-free era.

He would also reshuffle his ministers in a cabinet that would be accepted by the people and that would strengthen government stability.

"I ask all of you to show up at the debate and help me out of a difficult time. As for myself, I am prepared for all questions."

After the meeting, deputy party leader Watthana Atsawahem said he would not let the Opposition cross the line by raising matters relating to Mr. Banhan's family life.

"I will be the one to stand up to protect him," said Mr. Watthana, who claimed, however, that Opposition leader Chuan Likphai had said such matters would not be raised.

Chat Thai had set up a team to hit back at the Opposition if it failed to keep its promise, he added.

**Thailand: Karen Refugees Flee Camp Following Border Attack**

BK2708042396 Bangkok BANGKOK POST  
in English 27 Aug 96 p 2

[Unattributed report from Tak Province]

[FBIS Transcribed Text] Thousands of Karen refugees fled from a camp following a series of weekend attacks by members of the renegade Democratic Karen Buddhist Army (DKBA).

More than 3,000 refugees, mostly women and children, fled from Don Pa Kiang refugee camp in Tak's Mae Ramat district early yesterday, a border official said.

Around midnight on Sunday, about 8 mortar shells fired from the Burmese side of the border near Ye Gyaw camp, opposite Ban Huai Bong, landed on Ban Khana Su, a village which houses Karen refugees, prompting thousands of Karens to flee from their camp. No injuries were reported.

Most had reportedly dashed for cover in corn farms and jungles nearby.

At mid-day, some armed DKBA members tried to hire longtail boats from the Burmese side opposite Don Pa Kiang camp to reach the Thai side, but no one dared ferry them, said the official.

Presence of the DKBA forces has frightened the Karen refugees who are known to be loyal to the anti-Rangoon Karen National Union (KNU).

The refugees returned to their camp after Fourth Infantry commander Col. Suwit Manmuen ordered reinforcements to step up security along the border.

On Friday, about 20 DKBA troops from the Burma-controlled Kawmura camp fired shots from two longtail boats at the house of a former KNU officer in Don Pa Kiang refugee camp, killing Capt. Tun Kyi instantly. Several refugees in the same neighbourhood were forced to evacuate to safer areas away from the border demarcated by the Moei River.

Early Saturday, the same refugee camp was raided by about 15 DKBA members led by Maj. Maung Chit Tu. The intruders robbed Mrs. Naoda's store in the camp of cash, dried food liquor and cigarettes worth altogether 3,000 baht.

#### **Thailand: Border Police Give Karen Refugees Assurances**

*BK2708050896 Bangkok THE NATION in English 27 Aug 96 p A2*

[Unattributed report]

[FBIS Transcribed Text] Tha Song Yang — Despite recent attacks against Thai border police and ethnic Karen refugees over the past two days, senior Thai government and Army officials have assured villagers that they were ready to prevent any future incursions across the border.

Maj. Gen. Prayut Thapchanroen, commander of the Phitsanulok-based Naresuan Task Force, said he would take responsibility for not preventing the intrusion of some 30 armed members of the Democratic Karen Buddhist Army (DKBA), who ambushed a team of Thai border police on patrol in Tha Song Muang district's Tak province early on Sunday.

He said the two border patrol policemen who were wounded during the raid were in a stable condition.

Prayut said he had ordered local forces to be on alert but warned that poor weather might hamper patrols.

He tried to instill confidence in local Thai villagers by saying that his Naresuan Force would do its best to protect them and their property, as well as Thailand's sovereignty.

Prayut said his force, which had earlier been alerted to the possibility of intrusions by the DKBA, had conducted constant patrols along sensitive border areas. But the DKBA had taken advantage of the heavy rain

on Sunday to cover their intrusion into Thai territory, he said.

Khachatphai Burutphat, deputy chief of the National Security Council (NSC), said yesterday after visiting Mae La Karen refugee camp that he had asked the authorities there to strictly administer the camp, control the entry and exit of visitors, and prevent the escape of refugees from the controlled area.

#### **Thailand: Security at Karen Refugee Camp Tightened**

*BK2808033996 Bangkok BANGKOK POST in English 28 Aug 96 p 2*

[FBIS Transcribed Text] Tak — Security has been beefed up along the Thai-Burmese border in Mae Ramat district to prevent foreign forces from attacking Karen refugee camps.

More soldiers and Border Patrol Police have been brought in to guard the border near Don Pa Wiang refugee camp in Ban Huai Bong of Mae Ramat district since yesterday afternoon by commander of the 4th Task Force, Col. Suwit Maenmun.

The security beef-up was ordered after unidentified forces from Burma killed and kidnapped refugees and threatened to attack refugee camps in Thailand over the past few days to force more than 3,000 refugees to return to Burma.

Col. Suwit said he had submitted a written request to the Burmese authorities on Monday requesting them to make sure their troops do not encroach on Thai territory to prevent rifts between Bangkok and Rangoon.

#### **Thailand: Officials Instructed To Halt Influx of Illegal Aliens**

*BK2808085396 Bangkok BANGKOK POST in English 28 Aug 96 p 2*

[Report by Supphamat Kasem]

[FBIS Transcribed Text] Tak — The National Security Council [NSC] has ordered border officials in Tak and Mae Hong Son to stop the influx of immigrants following a government policy permitting some 700,000 illegal aliens to work in 43 provinces.

At a meeting in Mae Sot district on Monday [26 August], NSC Deputy Chief Khachatphai Burutphat instructed some 100 officials to take tough legal action against illegal immigrants and those helping them to get into the country.

Officials who helped their entry into Thailand or find jobs for them will face serious disciplinary action and criminal penalties, Mr. Khachatphai warned.

A large number of Burmese, Laotians, and Cambodians had entered Thailand illegally because they thought wrongly the Government allowed every alien to work here freely, he said.

Also at Monday's meeting were Local Administration Department Deputy Chief Wirot Phromprathan, Tak Deputy Governor Sane Chaloeophon, immigration and customs officials, soldiers and police.

The Cabinet agreed on June 25 to give two-year work permits to some 700,000 aliens working in 43 provinces to ease Thailand's unskilled labour shortage, particularly in fisheries.

### Vietnam

#### SRV: MIA Remains Turned Over to U.S. Official

BK2708163196 Hanoi VNA in English  
1521 GMT 27 Aug 96

[FBIS Transcribed Text] Vietnam today handed over a number of remains and effects of American servicemen listed as missing in action (MIA) during the Vietnam War to the U.S. side in the presence of Mr. Desaix Anderson, U.S. charge d'affaires in Hanoi.

The remains and effects were excavated by joint search teams in the 41st joint search for MIA, and examined by Vietnamese and American forensic specialists on 23 and 24 August.

This is the 60th time that Vietnam returned MIA remains to the U.S. since 1973. The U.S. representative took this occasion to express thanks and high appreciation to the Vietnamese Government and people for their humanitarian policy and effective cooperation in the MIA issue.

#### SRV: Leaders Receive Chinese Army Chief of General Staff

BK2708162796 Hanoi VNA in English  
1540 GMT 27 Aug 96

[FBIS Transcribed Text] Chief of the General Staff of the Chinese People's Liberation Army, Senior Lieutenant General Pu Quanyou, who is now on an official visit to Vietnam, paid a courtesy visit to Party General Secretary Do Muoi, State President Le Duc Anh and National Defense Minister Doan Khue here this afternoon.

Senior Lieutenant General Pu Quanyou conveyed best regards of Chinese party, state and army leaders to Vietnamese leaders. He informed the hosts of his Vietnam visit's aims and contents and the outcomes of exchanges with the commander-in-chief.

He expressed his pleasure at the achievements recorded by the Vietnamese people in their national construction and economic development under the leadership of the Communist Party of Vietnam. Mr. Pu Quanyou said he believed that his visit would gain fruitful results.

The hosts applauded the visit of the Chinese high-level military delegation, and the results of talks between the two commanders-in-chief, which aimed at strengthening mutual understanding and trust between the two armies. They also expressed their hope that the success of the visit would contribute to the consolidation and development of the traditional friendship between Vietnam and China.

#### SRV: Swiss Foreign Economic Delegation Pays Visit

BK2808051596 Hanoi Voice of Vietnam Network  
in Vietnamese 1430 GMT 28 Aug 96

[FBIS Translated Text] A Swiss Government delegation led by His Excellency (Mafia Media), deputy minister of foreign economic relations of the Swiss Federation, last week paid a working visit to Vietnam's Ministry of Finance, Ministry of Planning and Investment, the Vietnam State Bank, and the Asian Bank.

The two sides had talks on results obtained from Swiss economic aid to Vietnam and discussed prospects for cooperation between the two countries in the future.

Proceeding from the results of the use of the aid funds granted to Vietnam by Switzerland, the Swiss Government has examined a proposal to increase these aid funds by \$8.5 million.

#### SRV: Paper Reviews Economic Performance

BK2608053596 Hanoi VIETNAM INVESTMENT  
REVIEW in English 29 Jul-4 Aug 96 p 2

[Article by Nguyen Tri Dung]

[FBIS Transcribed Text] Stagnation in some sections of agriculture and industry along with a slow increase in consumption of others was blamed by the government last week as being a major cause of a down-turn in Vietnam's development during the first six months of this year.

Persistent below target tax collection — particularly that on imports and land use rights — was also fingered by government officials. Accumulated goods include rice (mostly from the Mekong delta), 7.5 million tonnes of sugarcane, 200,000 tonnes of steel and 500,000 tonnes of cement. Tax collection on imports in the first half fell 38 percent short of target, and land tax collections were about 16 percent below the mark. The total taxes collected during the first six months met only



42.1 percent of the year's plan, although domestic tax collection was 71.4 percent of the target — up 17.5 percent compared with last year.

Total budget spending was 43 percent of the target, an increase of 18.7 percent over the same period last year. Of this 24.3 percent went on development investment including 49.1 percent on capital construction and 14.7 percent going to debt repayment, while the day to day spending on wages for example, accounted for 61 percent of the total — an increase of 13.5 percent against the same period last year.

Lower inflation, government officials said, although aiding socioeconomic stability, has at the same time meant the price of agricultural goods has risen slowly, reducing income growth for farmers. Some economists have argued that the slow implementation of spending on capital construction and other national development programs have contributed to lower inflation.

The value of exports rose 16.5 percent in the half (the target was 28 percent) while the value of imports increased 28.8 percent, ahead of the annual target of 23 percent. The export value of the foreign-invested sector accounted for 9.8 percent of the total in the first six months.

According to the Ministry of Planning and Investment, in the first six months Vietnam received 180 applications for projects with a total registered capital of \$6 billion of which some 160 projects were licensed with \$2.85 billion of registered capital. Seventy projects have been allowed to increase capital by \$300 million while licenses for 16 projects worth 79.7 million were withdrawn.

In all, during the first half of the year, Vietnam attracted projects with total registered capital of \$3 billion, almost the same level as last year. Of this the production sector accounted for roughly 80 percent of projects and 94 percent of investment capital. Of the registered capital, some \$1.2 billion has been implemented — a 20 percent increase against the same period last year, of which the contribution from the Vietnamese side has totalled \$120 million.

According to the government, during the first half of the year the country's overall socioeconomic situation has achieved some positive changes regarding an improvement of the business and production activities, the attraction of foreign investment capital and most importantly the fight to control inflation.

Latest statistics said Vietnam has achieved the highest paddy (raw rice) output of 12.9 million tonnes during the last winter-spring crop, an increase of some 900,000

tonnes compared with the average output of the previous years.

Industrial production, meanwhile, kept pace with its development target of 13.2 percent including a 13.1 percent rise for the state sector, a 13.3 percent rise for non-state sector and a 13.2 percent rise for the foreign-invested sector.

According to the government statistics, there have been a 16.5 percent increase in production of electricity, 17.9 percent of coal, 32.8 percent of steel, 40 percent of tin, 13 percent of paper, 25.8 percent of garments and 11.1 percent of clothes and silk.

The government said commerce and service activities have achieved a rapid improvement with a 20 percent increase in retail sales including a 4.4 percent increase in rice, 23 percent increase in meat, 75 percent increase in liquor, beer and refreshment, 20 percent increase in oil and lubricants, 29 percent increase in steel, 11.7 percent of cement and 31 percent in coal.

The total turnover of commerce during the first six months equalled some 99,000 billion or an increase of some 23 percent.

As far as telecommunications is concerned, Vietnam now has one million fixed telephones nationwide plus 23,000 mobile phones. The tourism sector has reported a 23 percent increase compared with the same period last year with some 640,000 foreign tourists coming to Vietnam and an increase of some 54 percent or some three million local tourists. Total turnover of the tourism sector, however, achieved only 37.7 percent of the year plan.

Based on assessments of the socioeconomic situation of the first six months, the government sets five major measures to be adopted for the acceleration of socioeconomic development.

The first is to get tough on tax-collection in order to tighten the gap between collection and government spending. The second is to adopt a set of more reasonable policies to control inflation, including the readjustment of interest rates to create more favorable conditions for the borrowing capabilities of enterprises and the readjustment of the prices of some commodities to increase the budget contribution and the protection of local production.

The third includes policies on import and export activities. The government has decided that due to a build-up of stocks, the rice export volume will be 2.5 million tonnes and not two million as earlier planned.

Stronger measures will be taken to control paying for imports in installment — especially consumer goods — to help reduce the import.

The Ministry of Commerce and related government offices have to manage a smoother balance between supply and demand in order to avoid repeated "fevers" of some goods like cement, steel, oil, rice, and others.

The government said proposals are being studied to increase tax rates on some goods in order to boost budget income and contribute to the control of smuggling. The fourth measure regards budget spending for capital construction, where only important projects are to be given priority, while the government will allow a series of policies to enrich the ways and the forms of capital mobilization.

According to this regulation, Vietnam will widen the Build-Operate-Transfer form from both domestic and foreign funding sources for the construction of infrastructure projects including the participation of private local investors.

**SRV: Doan Khue Speaks at Military Exercises**

BK2608033096 Hanoi QUAN DOI NHAN DAN  
in Vietnamese 19 Aug 96 pp 1, 2

[Speech by Senior General Doan Khue, Party Central Committee Political Bureau member and National Defense minister, delivered at all-Army commanding officers military exercises and a contest in Khanh Hoa Province; date not given]

[FBIS Translated Text] Dear comrades: these military maneuvers and this contest represent one of the major training programs for this year; they also constitute a successful round of military training following the Eighth National Party Congress.

It has come to my knowledge that many comrades have participated with a sense of urgency, staying late at night to complete their assignments and showing a genuine ready-for-combat spirit.

Cadres and combatants of participated units and various agencies and institutes have overcome many obstacles to fulfill their duties while strictly observing discipline regarding public relations.

The spirit and results that you, comrades, have shown in your training work are a demonstration of the determination to build up our people's armed forces and our Army to make it capable of defeating the enemies whatever the circumstances.

Local party organizations, administrations, and mass organizations have contributed enthusiastically to the success of the military maneuvers and contest.

Once again, I would like to express my thanks to all the comrades and hail the tradition of unity between the Army and the people that our ancestors and our party have been building up throughout the history of national protection and construction, a tradition that is continuing to be developed during this round of training.

Dear comrades, for the period to come our people's armed forces will have only one duty: to concentrate our determination and energy in order to carry out to the optimum the national defense and security duties assigned by the Eighth National Party Congress.

That is why I want to speak to you about certain issues, as follows:

The greater our industrialization and modernization undertaking, the higher and more urgent the demands on national defense and security will be.

With a foundation comprised of our achievements in the protection and construction of our fatherland over the past several decades, in the past 10 years of the renovation undertaking — especially since the Seventh Party Congress — our country has been entering a new period: the period of industrialization and modernization for the causes of a prosperous people, a strong country, and an equitable and advanced society on the socialist path.

Industrialization and modernization are our most central duties throughout the transition period and constitute the great undertaking that our people, our workers class, and our party have been contemplating and following since the liberation of the north.

The great undertaking is being implemented against international and domestic backgrounds that carry both advantages as well as difficulties and challenges.

The advantages in the international arena are the results of the rapid development of science, techniques, and technologies that are encouraging the development of production forces over the world. On the other hand, careful scrutiny will reveal that they are also the results of the resolute and prolonged struggles of the workers class, the laboring people, the oppressed peoples, and the progressive people in the world against capitalism, imperialism, and other reactionary forces, regardless of the serious consequences suffered by the world revolution movement in past years due to the complicated international changes.

The advantages that we have inside the country come primarily from the strength and status that our people have perseveringly built up through our successful confrontation with unfriendly forces.

The difficulties and challenges are due to a large extent to deficiencies and weaknesses on our part and to our backward and underdeveloped economy. On the other hand, they have also been caused by the hostile forces, who have been increasing their efforts to destroy our national independence and socialist regime as well as to sabotage our national construction and protection undertaking.

Therefore, the undertaking of industrialization and modernization on the socialist path constitutes a total, intense, and profound form of national fighting and class struggle in all aspects of the economy, society, culture, science, education and training, literature and the arts, security, national defense, and foreign affairs. In fact, it is fighting to firmly maintain independence, sovereignty, and the socialist path during the process of industrialization and modernization. It is also a combination of the two strategic duties of national construction and protection of the socialist fatherland.

Industrialization and modernization on the socialist path represent not only an ideal and a goal but are also the most correct and efficient measures to prevent the danger of being left further behind economically. For us it would be a dangerous mistake, affecting many generations to come, if we did not see industrialization and modernization as the central tasks for the entire transitional period and, instead, simply followed certain basic economic signs and immediate interests, detached the economy from national defense and security and lost our vigilance.

The greater the undertaking of industrialization and modernization, the greater the need and urgency to consolidate national defense and security and maintain national independence, sovereignty, and peace.

A strong people's Army is a strong foundation and belief for the people.

To ensure the success of the undertaking of industrialization and modernization and to make progress with this great undertaking, the resolution of the Eighth National Party Congress confirms the duty of national defense and security of the entire people as follows: "The general strength of all the people and the entire political system should be developed. The national defense and security potential should be strengthened step-by-step. We should strive to build a steadfast all-people national defense system and all-people national defense tactics combined with people security tactics. The quality of the armed forces should be raised so that they are able to firmly protect national independence and security, sovereignty, and territorial integrity, as well as the people, the party, and the socialist regime. We must effectively prevent and crush all plots and activities aimed

at causing political and social unrest; violating independence, sovereignty, and territorial integrity; and causing damage to our undertaking of national construction and development. We must effectively prevent and promptly punish all types of crimes to ensure good social order and safety"

Therefore: The key issues that need to be fully understood are:

One, maintaining a peaceful and stable environment is the most important condition for national industrialization and modernization on the socialist path.

We must concentrate our power to defeat all tricks aimed at guiding and changing our country to the capitalist regime. The more we can defeat the tricks aimed at changing our country to the capitalist regime, the more efficiently we can frustrate all the tricks of violent subversion.

The more efficiently we can defeat all the tricks aimed at changing our country to a capitalist regime and the more we can nip all the tricks of violent subversion in the bud, the better we can limit acts of armed intervention and military threats, thus limiting the possibility of a major military invasion.

Maintaining a peaceful environment and political stability with the combined strength of the entire country is a strategic goal and requirement. At the same time, this will require us to build our people's armed forces and people's revolution Army into regular, skillful, and modern ones.

Two, we must closely link national defense and security with the economy and economic and national defense with security.

This is an issue of natural law. This law exists and rules over all nations with independence and sovereignty in the historical process. For our country, this is the continuation and development of the historic tradition that has been forged over thousands of years of national construction and protection.

The relation between the economy and national defense is a dialectical relation, as the economy and national defense are organically linked in an uniform entity. In this relation, in the long term, socioeconomic development plays a decisive role as it creates the requisite and foundation for the consolidation of national defense.

On the other hand, a strong national defense will help to protect the revolutionary achievements and ensure conditions for peace and security. Nonetheless, we should realize that when we have a strong economy, it does not mean that we will automatically have a



strong national defense. In reality, we should make sure that our national defense capability is enhanced in parallel with every advance we make in the economic development program. We must ensure that our nation is in the most favorable economic condition and is ready to serve national defense and to protect the fatherland. This means that while we are promptly developing our economy, we must be able to enhance our national defense. We must also combine the efforts aimed at strengthening the national defense capability with those of developing the national economy.

We must struggle to criticize the concept of separating the two strategic tasks and oppose such phenomena as simplism, belittling tasks, and negligence regarding the nation's general interests. We must ensure balance in our objectives, use the best methods in our actions, and correctly resolve each concrete issue so as to bring into full play the mutual effects in the relations between the economy and national defense to satisfactorily serve our objectives of making a prosperous people, building a powerful nation, and strengthening national defense and construction.

We must combine the economic task with the national defense task in formulating the general plan for the nation and separate plans for each sector, region, and province. We must ensure that in each economic plan and project there are factors contributing to enhancing the national defense capability; and that by contrast each national defense project must ensure safety for economic activities and promote general security for the whole region.

In formulating plans for developing the economy and national defense, attention should be given to the mountainous region, border areas, and key zones. Special attention should be given to combining national defense with economic development, particularly in formulating plans for the sea and the coastal economy. We must attach importance to strengthening our capabilities in defending our sea and offshore islands, strengthen the soldier-people relations in carrying out economic activities, and consolidate and strengthen the sea self-defense force and other national defense and security forces.

We must optimally exploit achievements in national industrialization and modernization to directly step up modernization of the Army and strengthen the capabilities in national defense and security.

Third: Continue to build and consolidate the firm and strong all-people national defense array.

The all-people national defense array, first of all, fundamentally depends on political stability and the firm foothold of the all-people unity bloc, that is, the worker-

peasant-intellectual alliance under the party leadership. As a result, we must positively formulate a plan of war with the people's support and consistently improve the spiritual and material life of the working people, considering this an important task for national defense at this time.

We must optimally exploit the favorable conditions and accelerate national industrialization and modernization in accordance with the party's concepts, taking any appropriate steps. The most important things are that we must enhance the spirit of national independence and self-reliance, promote a favorable international environment, and ensure the implementation of national industrialization and modernization along socialist orientations.

We must positively inculcate patriotism, enhance the spirit of protecting national characteristics, strengthen the responsibility of citizens and individuals in carrying out their obligations and protecting their interests, and integrate the strength of our national community.

Various defense zones must be firm, strong, and durable. We must consistently monitor and resolve various pending issues according to an active and comprehensive plan.

Fourth: Integrate efforts to build a revolutionary, regular, seasoned, and modern People's Army.

A powerful army will serve as a reliable force for the people and will win the people's confidence in protecting political stability, developing the economy, and defending the fatherland and our regime.

The most important thing is to integrate efforts to build the Army politically. We should take the political achievement as a basis for enhancing the combined strength and militancy of our Army. In the current situation, we must strive to clearly define the characteristic boundary between national, self-reliant independence and dependence, between socialism and capitalism, and between the principled concepts of socialism and the disguised forms of capitalism and opportunism.

It is necessary to ensure that our Army is "immune" from the enemy's gimmicks aimed at causing an automatic change in our internal ranks. We must also stamp down on and foil the enemy's attempts to "neutralize," "depoliticize," and render the Army harmless, and their efforts to sow division between the Army and the people, between the Army and the party and the state, and between the Army and the security force. We must ensure the maintenance of the system of absolute party leadership over all spheres of activity of the people's armed forces.

It is necessary to perceive profoundly that throughout their 50-year history of fighting and unit building, our people's armed forces and People's Army have never had such favorable conditions for unit building as they now have.

We must treasure and seize existing opportunities in a practical way to build and modernize the Army, trying to make our Army strong enough so it can ensure victories whatever the complexity of the circumstances.

Great challenges lie ahead of us as there is very demanding requirement to defeat the various hostile forces, who are known for their tremendous economic and military potentials. The past few years have seen the task of building the People's Army produce many successes. But a serious look at our requirements has found that there is a gap — not to say, a big gap — in the differences in quality between various units. We must boldly admit this fact and must strive enthusiastically each day to exploit all the existing favorable conditions and opportunities.

In building the Army, the building of its cadre strength is regarded as a central task. Given the new requirements, all of us, regardless of who we are, must improve our solid political acumen and our standardization and modernization levels promptly and constantly.

In doing homework, to score a rating of 8-9 requires much effort and determination. It is important that we score 8-9 and must even try to obtain a score of 10 in the rating for our overall political and command capability as well as for our character and dignity during our lives as revolutionary fighters.

In the conduct of training at present, given the need to conduct combat training using modern weapons, technologies, and equipment, it is important that both cadres and combatants receive thorough training in essential areas. Combatants must be well trained in combat tactics while cadres must be well trained and adept in command skills and procedures.

To achieve this aim, we must analyze the targets for attack and the terrain of each given area. Proceeding from the study of the targets and the geographical features, we must improve the soldiers' scientific and practical thinking so they can raise and answer correctly questions regarding the art of warfare.

While treasuring our traditional experiences and those principles already condensed, we must not stop at the old principles and old knowledge or feel complacent with the training and research achievements already gained.

Our entire party, people, and Army are striving to study and translate the resolution of the Eighth Party Congress into revolutionary action in order to commemorate the 51st anniversary of the August Revolution and the 2 September National Day.

The sacred appeal of the August Revolution was: We must regain our independence and freedom and use our own strength to liberate ourselves even if this requires us setting the entire T'uong Son Mountain Range on fire.

The sacred appeal from the Declaration of Independence read by Uncle Ho on 2 September 1945 was: The Vietnamese people are determined to devote all their mind and energy to defending its newly-regained independence.

While moving steadily into the cause of national industrialization and modernization along the socialist path to achieve the objectives of a prosperous people, a powerful country, and an equitable and civilized society, we must strive to unfailingly achieve the two strategic tasks of building and defending the fatherland — the new appeal from the party for the entire Vietnamese people and Army.

At the Eighth Party Congress, on behalf of the Military Party Organization, I pledged with the entire party and people that we will resolve to make our people's armed forces and Army strong enough to join the entire people in preventing our socialist fatherland from being caught off guard strategically. That pledge stems from the sacred desire and iron-like determination of our entire people's armed forces and Army, including all of you, comrades, who are present. We are determined to turn this determination into a self-motivated mental force in every cadre and combatant to contribute to defending our beloved fatherland's long-lasting peace and stability, if we are to translate socialism — a genuine dream and also the future and happiness of our people and working class — into reality.

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